

For Reference
Do Not Take
From the Library

Every person who maliciously cuts, defaces, breaks or injures any book, map, chart, picture, engraving, statue, coin, model, apparatus, or other work of literature, art, mechanics or object of curiosity, deposited in any public library, gallery, museum or collection is guilty of a misdemeanor.

**Penal Code of California
1915, Section 623**

05 November 14

BURLINGAME PUBLIC LIBRARY
VE-UPS

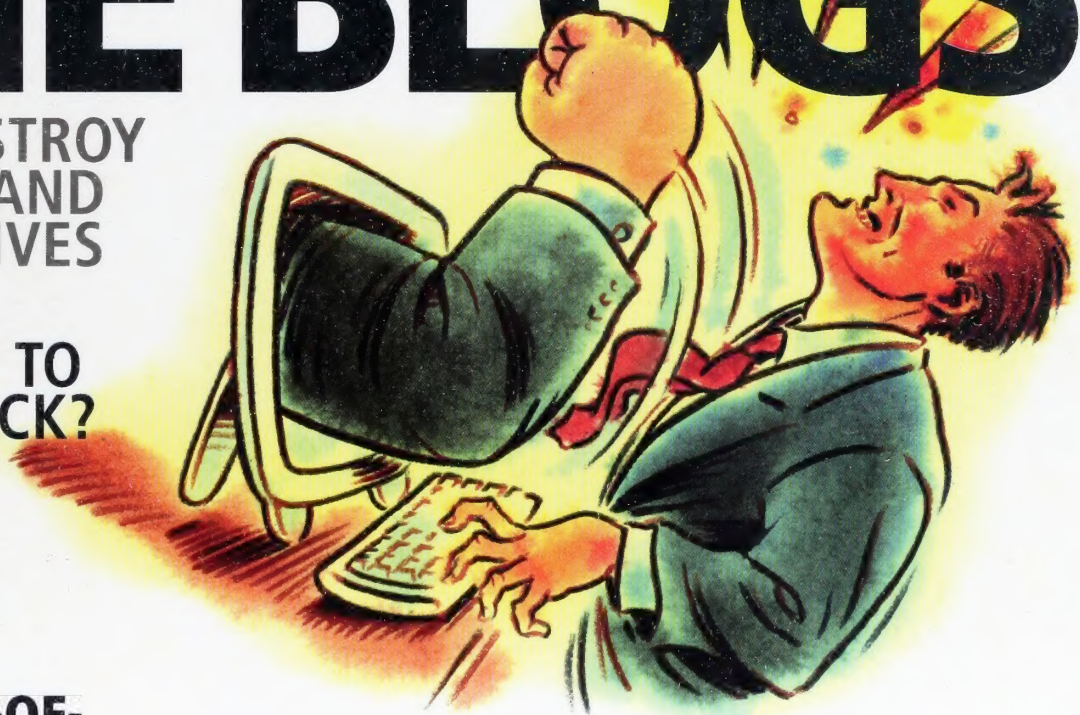
BURLINGAME PUBLIC LIBRARY
0042 06433966 3

NOVEMBER 14, 2005 | WWW.FORBES.COM

Forbes

ATTACK OF THE BLOGS!

THEY DESTROY BRANDS AND WRECK LIVES
IS THERE ANY WAY TO FIGHT BACK?



SO ►
MOUNTAIN-OF-
MOUTH DRUGS
DEL'S CASH
MACHINE
GOOGLE'S SECRET
SUCCESS

#BXBCBGJ *****AUTO
#FRB0075205773/2#
BURLINGAME PUBL L
480 PRIMROSE RD
BURLINGAME CA 94010
BURLINGAME
NOV 10 2005
LIBRARY

Office of Revenue Commissioners, Republic of Ireland

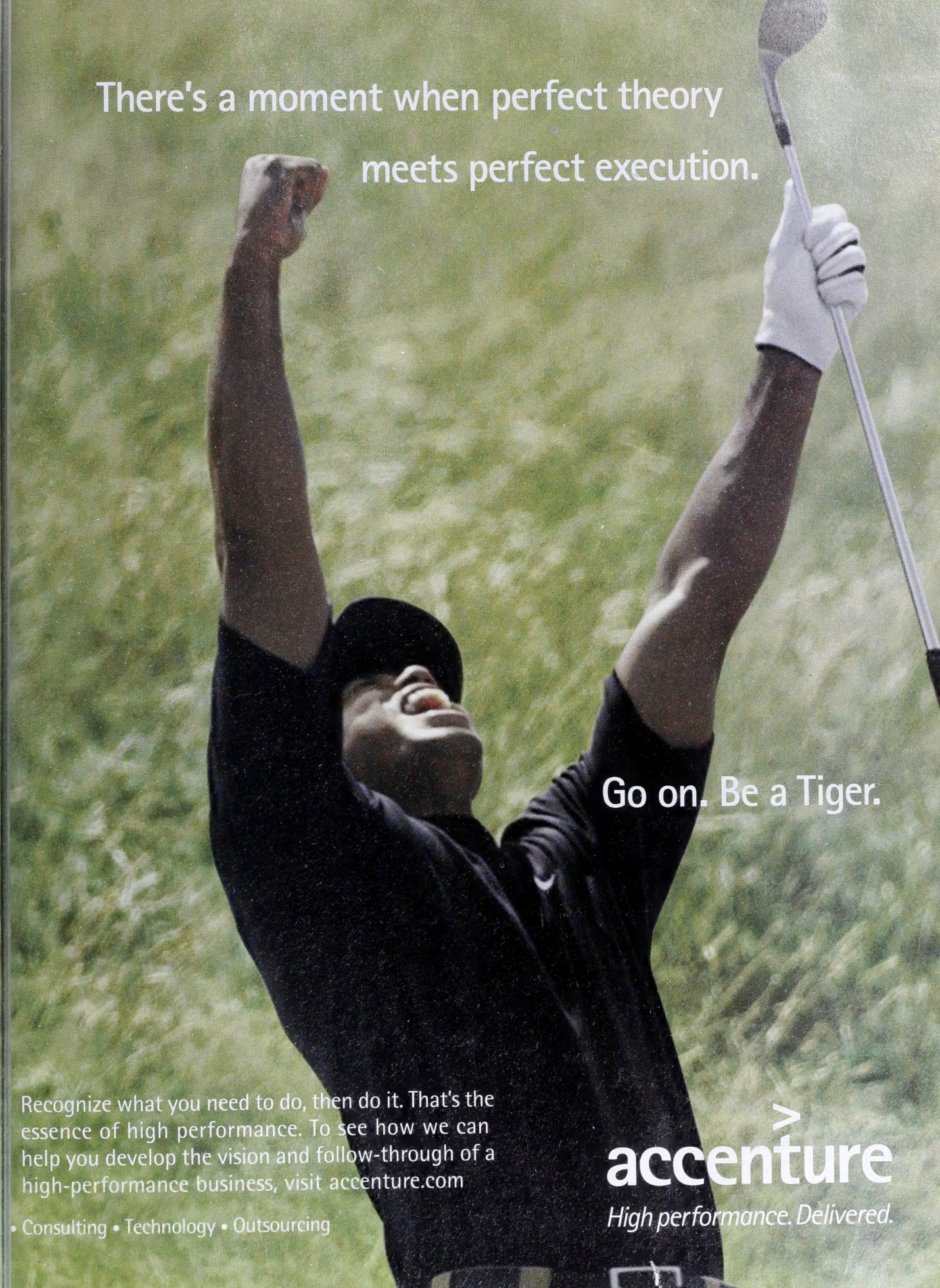
High-performance customer service, delivered.

To demonstrate how the public sector can improve customer service by embracing new technology, the Office of Revenue Commissioners, Republic of Ireland, wanted to introduce an electronic filing, payment and information system. Accenture developed and launched Revenue Online Service (ROS), a website that substantially simplifies the filing and payment process and provides online access to account information. The system uses digital certificates to give electronic tax returns full legal status. Introduced in September 2000, ROS has processed in excess of 6 million transactions and has brought in more than €21 billion in payments. ROS is now widely accepted by the Irish business community, and has allowed the Revenue Commissioners to establish a level of customer service and processing efficiency worthy of a high-performance government agency.

Thomas Cook

High-performance operations, delivered.

A 163-year-old brand with many owners over the years, Thomas Cook UK & Ireland was a respected but complex decentralized travel services business in need of a return to profitability. In an innovative co-sourcing arrangement with Accenture, the company created a shared services center to consolidate its widely dispersed IT, finance and HR administration operations. Responsibility for strategy and policy was retained by Thomas Cook, with Accenture facilitating operations management. In 16 months, the company removed £140 million in operational costs, helping to achieve an £83 million turnaround, establishing Thomas Cook as a high-performance player in the competitive UK travel business.

A full-page photograph of Tiger Woods in a celebratory pose on a golf course. He is wearing a black polo shirt and a black cap, with his mouth open in a shout and his right arm raised in a fist. His left hand, wearing a white golf glove, holds a golf club high above his head. The background is a soft-focus green field.

There's a moment when perfect theory
meets perfect execution.

Go on. Be a Tiger.

Recognize what you need to do, then do it. That's the essence of high performance. To see how we can help you develop the vision and follow-through of a high-performance business, visit accenture.com


accenture

High performance. Delivered.

• Consulting • Technology • Outsourcing

Extending the Workplace

A unique solutions center dedicated to providing a wealth of resources and information focusing on productivity in the workplace.

Selecting a Mobile Service Provider

By Tom Taulli

Tom Taulli is an adviser to early-stage companies and an adjunct professor at the University of Southern California, teaching corporate finance and corporate law. He has written several books, including The Complete M&A Handbook (Random House) and Tapping into Wireless (McGraw-Hill).

Joe Blumenfeld has his own global PR consultancy, called Tradewind Strategies. His expertise spans 28 countries, which means that it is absolutely vital that he has smooth and seamless wireless communications. "As a small business without support staff," he says, "wireless communications allows me, in essence, to take my office with me and provide continuous service to my clients no matter where business takes me. Like most small businesses, I am in constant 'new business' mode; I can't afford to miss a call or email."

However, when he recently went through the process of selecting a mobile service provider, he found it to be a "true headache." In fact, the management of mobile devices is a problem for all businesses. For example, Gartner Research indicates that this will be the #1 management struggle for 75% of business enterprises by 2006.

But there is good news; that is, there are effective strategies in selecting a mobile service provider. What are they?

Learn more from our wireless gurus – experts in helping small, mid-market and enterprise-level companies extend the workplace through wireless solutions.

Visit www.forbes.com/extendingtheworkplace.

It's time to reinvent
the **Yes-man.**

And while you're at it, the Yes-woman. She says yes to the way business works today: on-site, beyond the walls of the office. She puts supply closer to demand. Solutions closer to problems. Now that Sprint and Nextel are together, any size company can benefit from the #1 wireless provider to business and the only one with its own nationwide wireline and wireless networks. With Sprint Business, you can make just about any place a workplace. No matter what you want to do, we have the only answer a Yes-woman or Yes-man wants to hear.

Based on independent survey of wireless users whose employers pay for their service. The Sprint wireless networks cover more than 250 million people. Coverage not available everywhere. Network-dependent features may not be available on all phones. ©2005 Sprint Nextel. All rights reserved. SPRINT, the "Going Forward" logo and the NEXTEL name are trademarks of Sprint Nextel.



Yes you can.™

Together with NEXTEL

Uncommon Insights. Uncommon Solutions.

Advancing the Model for End-to-End Receivables Management

Wachovia Takes a Client-Focused, Integrated Approach

Imagine a digital world where your clients receive your invoices, route them for approval, collaborate with you on dispute resolution and initiate payment — all online. A world where your procure-to-pay process with suppliers is the mirror image of this automated efficiency. What if your workflow were as mobile as you are, with information flowing to you where you needed it, when you needed it, in a form that supported quickly making optimal decisions on deploying working capital? And, as your company expands globally, what if the same level of productivity, processing efficiency, visibility and control were still within your reach?

Wachovia makes this world attainable *today*.

Enabling P2E Migration — Market Forces at Work

The market is shifting toward full paper-to-electronic (P2E) migration for payments and related information. This migration is integral to organizations achieving the goal of end-to-end automation of supply-chain and treasury activities. Technology advances, regulatory changes and the continued push for efficiency are supporting this shift.

Thanks to technology, companies can today make a broader range of electronic payment methods available to their business-to-consumer (B2C) and business-to-business (B2B) customers. Expanded choices for consumers — including online bill payment, pay-by-phone, direct debit, and credit and debit cards — offer convenience and enable mobility. With the latest Web security features allaying identity-theft concerns associated with mailing bills and checks, a growing number of consumers are comfortable receiving and paying bills online. On the B2B side, required customization to accept EDI formats has been cost-prohibitive for a large number of vendors. But Web-based B2B payment solutions are eliminating volume restrictions for remittance information and enabling trading partners to go electronic more easily.

Simultaneously, regulatory changes impacting payment system are driving the migration to electronic. The introduction of check-to-ACH conversion — including Accounts Receivable Check Conversion (ARC) and Re-presented Check (RCK)—followed by check truncation under Check 21 legislation, are quickening the pace of the payments transformation. As banks increasingly embrace image exchange and companies increasingly leverage remote deposit services, payment-system efficiencies will result in a loss of check float. Consequently, companies that today favor controlled disbursement are likely shift their focus to capitalizing on the efficiencies offered by electronic payments.

Facing the Danger of Fragmentation

Ironically, as companies pursue an integrated electronic payables and receivables strategy, they risk further fragmenting operational processes, diminishing potential benefits and increasing operational risk. While the various solutions (e.g., card, ACH) require a company to support multiple infrastructures, the danger is in failing to gain a critical mass of vendors and customers for combined electronic payment programs and as a result, fully managing to eliminate paper.

The corporate tradition of splitting operating services between multiple cash management banks exacerbates fragmentation. It also heightens operational risk, since there is more opportunity for process breakdown, and additional incremental costs associated with concentrating idle cash for investment. And as companies expand overseas, the operational risk only increases.

Making the Ideal Real

If your company is ready to accelerate its P2E migration, you'll want to work with a bank that considers your organization's needs, timeline, strategic vision and philosophy. Wachovia Bank would make the ideal partner.

bank takes a consultative approach based not only on your business but that of your stakeholders within the end-to-end process, including your customers and suppliers. According to Michael Daley, Senior Vice President and Manager of Product Solutions for Wachovia's Treasury Services Division, "True integration requires collaboration between all of the stakeholders in the end-to-end process. The bank must fully understand its client's business and be able to support the client during each phase of its life cycle. At Wachovia, this means working with organizations across all business segments — small business, middle market, and large corporate — and in each stage of their P2E migration, to deliver solutions that satisfy both operational and strategic requirements."

Capitalizing on Technology

P2E migration is central to unleashing financial value. It accelerates cycle time and reduces operational risk tied to fragmentation and manual processing. As a leader in P2E migration, Wachovia works with organizations of all sizes to facilitate the transition to electronic processing and minimize associated risks. "One way we minimize risk is by leveraging our expertise and infrastructure — we extend our operating platform to clients as part of an integrated solution. For example, our bank plays an expanded role in the entire receivables process by distributing a company's bills electronically, fostering greater movement of electronic payment, and facilitating efficient accounts receivable processing. Technology is a key enabler of our solutions. Web-based invoice presentment can allow our clients to communicate electronically with their customers and vendors. Imaging allows clients to digitize checks and automate receivables posting. It also enables the bank to process checks more quickly and efficiently clear checks and pass the benefits to our customers in the form of earlier funds availability and faster notification of returned items," Daley continued.

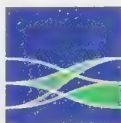
Technology is also a strong enabler of integration as organizations expand globally. Globalization is affecting companies of all sizes, and in every phase of their growth cycle. As global presence expands, so do financial and information flows. Organizations need clear visibility into cash flow and verifiable control of their funds to support tactical requirements, strategic objectives, and regulatory compliance, including Sarbanes-Oxley. Toward this end, Wachovia is developing global solutions for remote deposit, image cash letter, ACH payments, and more that promote financial transparency, accelerated information and funds availability to improve working capital from a global perspective.

Daley notes, "Companies can rely on Wachovia well beyond the financial transaction. They can look to us for intelligent decisioning tools that support information analysis, and they can rely on us for net working capital solutions that maximize value and security through every stage of liquidity management, including investment of idle funds. This new integrated payments environment will likely result in many companies reconsidering their reasons for divvying up their operating business among multiple providers versus more frequently aligning with their lead treasury management provider."

Moving Beyond Imagination

Enabling an integrated approach with intelligent solutions starts with imagination. But getting beyond imagination takes innovation and hard work. Wachovia is focused on advancing the P2E migration. It is an important step toward making the vision for tomorrow the reality of today. The time is right for treasury executives and managers to fulfill their quest for end-to-end receivables management. The bottom-line result is enhanced financial performance.

Wisdom is everywhere. Uncommon wisdom is knowing how to apply it.



WACHOVIA

Uncommon Wisdom



**INNOVATIVE DELL™ POWEREDGE™ SERVERS FEATURE THE
PERFORMANCE AND RELIABILITY OF INTEL® XEON™ PROCESSORS.**

ANY ENTERPRISE PARTNER CAN SAVE YOU MONEY FOR A DAY. BUT **HOW ABOUT A DECADE?**

NOW IS THE TIME TO

partner with Dell, a proven leader in designing enterprise solutions that add more flexibility, help simplify operations, and scale every IT dollar. Everything from PowerEdge Server technology with the performance and reliability of Intel® Xeon™ Processors, to complete storage solutions and end-to-end services for planning, implementing and managing your datacenter. All direct from one place. Get more out of the next decade and

GET MORE OUT OF NOW.



For more about Dell solutions
Click www.dell.com/enterprise6
Call (toll free) 1.866.217.3052





CONCORD
Style defines

Contents

NOVEMBER 14, 2005 | VOLUME 176 NUMBER 10

On the Cover

68 Gadgets We Love

Nine must-have toys for grown-ups.

112 Fountain-of-Youth Drugs

Researchers are unlocking the mysteries of aging. *By Robert Langreth*

128 Attack of the Blogs!

They destroy brands and wreck lives. Is there any way to fight back?

By Daniel Lyons

198 Google's Secret to Success

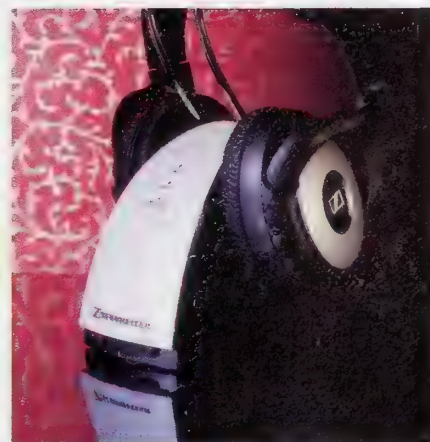
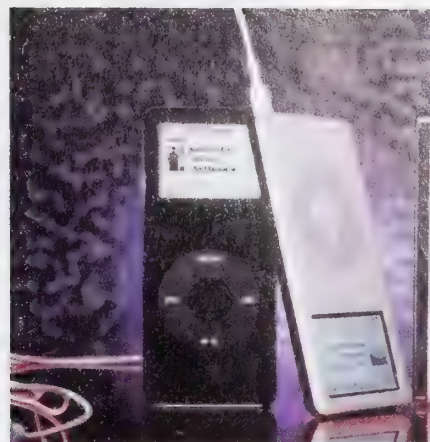
It has huge sales, prodigious profits and a bid to log all the information in the world—one tiny project at a time.

By Quentin Hardy

204 Fidel's Cash Machine

While clinics crumble at home, bereft Cuban doctors are dispatched on Castro's goodwill missions. But their purpose, it turns out, is more than just charity care.

By Susan Kitchens



COVER ILLUSTRATION FOR FORBES BY ROSS MACDONALD;
INSET PHOTOGRAPHS BY MASSIMO GAMMACURTA

Contents

NOVEMBER 14, 2005

18 **Index**

20 **Side Lines**

24 **Readers Say**

31 **Fact and Comment**

Steve Forbes says a stable yuan/dollar relationship is good for China—and the U.S.

36 **Other Comments**

41 **Current Events**

Ernesto Zedillo says global action is the solution to global warming.

43 **Digital Rules**

Rich Karlgaard on the importance of goofy contests, like rocket races.

46 **Informers** | Howard Safir's sliding rule; tracking spam stocks.

48 **On My Mind** | **We're Not That Dumb**
By Michael J. Handel

50 **Follow-Through** | **Flashbacks**

236 **Thoughts**

OutFront

52 **Detroit Denouement** Will the Big Three still be building cars ten years from now?
By Joann Muller and Jonathan Fahey

56 **Backseat Driver** | **Saving General Motors** *By Jerry Flint*



58 **Too Close for Comfort** Wall Street got into big trouble pandering to tech firms. Is Refco a sign it's repeating the mistakes with its private equity pals?
By Neil Weinberg and Peter Lattman

58 **Allied Enemies** Guess who's fussing over the Patriot Act this time? *By Matthew Swibel*

60 **Phony Tax** Courts say a 3% toll tax is being wrongly collected. The IRS says, so sue us.
By Janet Novack

62 **Holy Cybersuit** Online fantasy worlds are attracting a new type of player: lawyers. *By Daniel Fisher*

62 **Sundance on the Xbox** Small game developers have an unlikely ally in Microsoft.
By Victoria Murphy Barret

Plus: Drug vigilantes ... Congress has a problem with China.

Mavericks

88 **The Mind's Cartographer** Researchers have given us an atlas of the brain. Molecular biologist Julie Simpson is drawing us a street map.
By Amanda Schupak

Marketing

93 **Game Theory** Inspiration for the next Coca-Cola or Unilever marketing campaign might come from a computer game that looks an awful lot like The Sims. *By Allison Fass*

Entrepreneurs

96 **Making Hay of Haymakers** Tom Lochtefeld's wave machines are catching on everywhere. And he's just getting started.
By Christopher Steiner

100 **Struggling Upstream** Kayak.com aims to be the most comprehensive travel site on earth. A tough feat but not nearly as hard as getting paid. *By Megan Johnston*

Money & Investing

104 **Age-Centric Investing** Targeted-maturity funds adjust the stock-bond mix for you as the years go by. But some take more chances with your money than others.
By Michael Maiello

106 **Liquid Stocks** So oil is growing scarce? Water is next, especially in developing nations. There's money to be made in the companies providing it.
By Tatiana Serafin



As I See It, #8 in a photographic series by Sacha Waldman.

The fluid lines and graceful curves of the Leighton™ Ensemble. Elegance always strikes a chord.

1-800-4-KOHLER, ext. 5XY
kohler.com/leightonensemble



THE BOLD LOOK
OF **KOHLER**

Contents

NOVEMBER 14, 2005

- III Deadline for Donors** A temporary tax break could make 2005 the year of giving generously.
By Ashlea Ebeling
- 214 Flu Shots** The stakes of an avian flu outbreak are enormous but so are the potential rewards for some hitherto-obscure drug companies. *By Peter Kang*
- 216 Makers & Breakers** Fortune Brands; Bright Horizons Family Solutions; Yanzhou Coal Mining; Tempur-Pedic International.
- 218 Financial Strategy | Expansion Enders** *By A. Gary Shilling*
- 220 Yes, But | Curse of the Tight Spread** *By James Grant*
- 222 Point of View | China's War Chest**
By Steve H. Hanke

International

- 142 Hostage in China** U.S. citizen and entrepreneur David Ji built a billion-dollar business importing cheap DVD players. Then he crossed a supplier—and disappeared. *By Stephane Fitch*



96



112



Companies, People, Ideas

- 150 Why Not? | How to Diversify**
By Ian Ayres and Barry Nalebuff
- 161 Sinking Ship** Special-effects shops are booming, but the prosperity has been hollow for Digital Domain. *By Seth Lubove*
- 166 Patent Stalker** Nathan Myhrvold said he is going to build a first-class innovation machine. What's he really up to?
By Tomas Kellner
- 174 Money Machine** Michael Neal runs General Electric's biggest profit engine, raking in \$24 billion a year lending money to businesses big and small. His secret: "free" advice for the clientele. *By Kerry A. Dolan*

- 195 A Tough Row** In the race to woo U.S. farmers with genetically modified seeds, Swiss Syngenta is up against Monsanto. It's one ugly contest. *By Tatiana Serafin*

Forbes Life

- 224 The Adventurer | Mount Forbes**
There are precious few places you can plant your foot where no human has gone before. We scaled a virgin peak and christened it Mount Forbes.
By James M. Clash
- 228 The Wrongest Meal** Tie on your bib and tear into a nice big juicy hunk of whale meat.
By Andrew Bender

fundamental strength of XL Capital Ltd companies helps businesses to trade globally.
companies provide commercial property/casualty/specialty insurance, reinsurance,
financial risk and credit products. We are strong partners. Visit www.xlcapital.com
INSURANCE | REINSURANCE | FINANCIAL Experience our strength.

The XL Capital group is rated A+ by AM Best.

XL CAPITAL

FUNDAMENTAL STRENGTH – CAPITAL AND PEOPLE



The strength to cover the world's largest:
Transportation, Construction and Infrastructure risks.



RECEIVED

BY NIELSEN
MEDIA RESEARCH

AMOUNT: 100X FASTER
QUERY RESPONSE



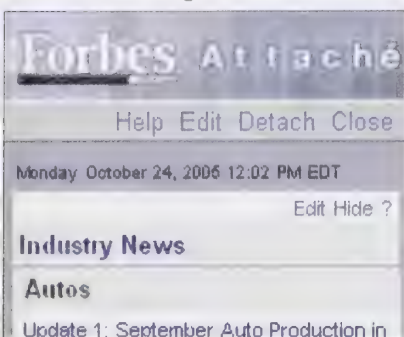
With Sybase® software, Nielsen Media Research enables customers to get real-time access to audience viewing habits through:

-  **800% faster data loads** for increased productivity during maintenance windows
-  **a secure, Web-based interface** that's accessible 24 hours a day from any location
-  **70% data compression ratio** for significant hard-cost storage savings

When viewing trends change in the ultra-competitive broadcast industry, Nielsen Media Research and their customers know it instantly. Because they have an information edge that comes from using Sybase® IQ – a powerful data analytics server that enables their clients to analyze more data in more ways. Up to 100x faster. And Sybase IQ helps Nielsen provide better service at a lower cost. It's an edge that only we can deliver. And it's why more global companies are tuning-in to Sybase every day. www.sybase.com/infoedge1

Stay Current

Get the latest business news, and the FORBES perspective on it, throughout each business day directly from Forbes.com or via the following services on our site.



Forbes.com Attaché. Your choice of weather, sports scores, stock prices, news or articles from your favorite FORBES writers and more, always on your desktop—and for free.

E-Mail Newsletters. Choose from 29 daily or weekly collections of our articles sent by e-mail.

E-Mail Alerts. Sign up from any article on Forbes.com to get immediate e-mail notification of new stories of interest to you.

Business News Alerts. A desktop application that alerts you to breaking news or new investment, lifestyle or video features.

RSS XML We offer more than 50 RSS (Really Simple Syndication) feeds of FORBES content.

More for Investors

Prices, charts, news and data for funds, U.S. equities and non-U.S. Forbes Global 2000 companies. The latest stock picks and pans from Streetwalker and our investment gurus. Plus commentary from 35 premium investment newsletters and 4 free ones.

Special Report

Communicating

By Michael Noer and David E. Ewalt



Helping us understand the origin of human language.

Glaser, Jane Goodall, Judith Jamison, Ray Kurzweil, Stan Lee, Daniel Libeskind, Sid Meier, Desmond Morris, Steven Pinker, Studs Terkel and Kurt Vonnegut. This remarkable special report includes more than 15 feature articles, among them celebrations of the languages of silence, nonsense and dance, and tells why lying is good for you. Also online: 90 minutes of audio, 20 minutes of video, an original comic strip by cult Internet cartoonist Penny Arcade and innovative interactive elements, such as an application that allows you to e-mail yourself decades in the future. All this is available at www.forbes.com/communicating.

On the occasion of the 4,000th day of the Internet, Forbes.com thinks big about how we communicate—to other people, to animals, to our machines, to the past, to the future and even to aliens. More than 20 well-known guest authors and experts contribute their ideas, including Vint Cerf, Noam Chomsky, Arthur C. Clarke, David Copperfield, Walter Cronkite, Milton

Lifestyle

Most-Fuel-Efficient Luxury Cars 2006

By Dan Lienert

Have you ever seen an SUV head a list of fuel-efficient vehicles? Get ready. Atop the U.S. Environmental Protection Agency's annual Fuel Economy Guide for 2006 models sits Toyota's new Lexus RX 400h gas/electric hybrid. Forbes.com has distilled from the agency's data a list of the most-fuel-efficient 2006 luxury vehicles, based on annual fueling costs. Just because they cost more to buy doesn't mean all luxury cars cost more at the pump.

Forbes Magazine



Held Hostage in China

Go to Forbes.com to see exclusive video of David Ji, the U.S. citizen and Wal-Mart supplier now being detained in China. Go to www.forbes.com/hostage. Also see story on page 142.

Forbes Lists

All FORBES annual lists are available in enhanced interactive form at www.forbes.com/lists.

Search Our Archive

Past FORBES magazine articles are available on our Web site. Search by author, date or topic.

Forbes on Fox

Go online to see clips from our weekend television program.

Forbes on Radio

Highlights from our weekly radio show are available as podcasts from our Web site.

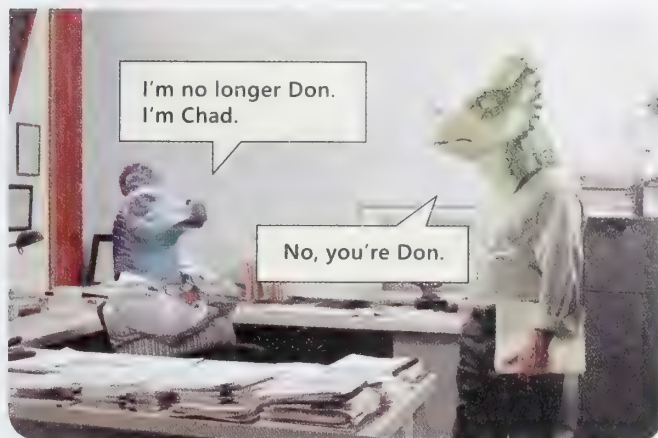
For links to items mentioned on this page: www.forbes.com/extra.

For complete contents of this issue: www.forbes.com/forbes.

By Mail: Forbes magazine
60 Fifth Avenue
New York, NY 10011

Your potential. Our passion.™

Microsoft



Microsoft® Office has evolved. Have you?

The latest version of Microsoft Office helps you better manage your day. Now you can organize, prioritize, and synthesize information like never before. Simply upgrade to the latest version of Microsoft Office today.

Visit microsoft.com/office/evolve

I thought we were feeling a little behind the times.

We still have Office 97.



Microsoft®
Office



Index

COMPANIES AND PEOPLE IN THIS ISSUE

A, B, C

ASC, 53
AT&T, 168
AVI BioPharma, 214
Abovitz, Romy, 151
Adu, John, 208
Aggeler, Angela, 144
Alcock, John, 43
Alfa Laval, 108
Altobello, Joseph, 216
Amazon, 166
American Airlines, 105
Amtrak, 60
Anderson, Robert, 224
Annaly Mortgage
Management, 220
Apex Digital, 142
Apple Computer,
68, 162, 168
Aqua America, 106
Aravosis, John, 134
AstraZeneca, 114, 195
Auspitz, Jack C., 146
Autodesk, 162
Bank of America, 58
Baron, Jay S., 54
Bayer Group, 196
Bean, William, 93
Bennett, Claude, 214
Best Buy, 144
BioCryst
Pharmaceuticals, 214
BIR 360, 132
Blackshaw, Peter, 130
Blackstone, 58
Bleustein, David, 176
Bonabeau, Eric, 94
Boyd, Gregory, 62
Bright Horizons Family
Solutions, 216
Brill, Ed, 132
Brin, Sergey, 198
Brisac Electronics
Holdings, 170
Bristol-Myers Squibb, 60
Broadcom, 168
Bush, George W.,
31, 43, 48, 58
CBS Broadcasting, 130
CIBC, 216
Cadwalader Wickersham
& Taft, 148
Caine, Michael, 162
Calacanis, Jason
McCabe, 131
Cameron, James, 161
Canessa, Greg, 64
Capco, 175
Caprara, Robert, 94
Carlyle Group, 58
Castro, Fidel, 204
Castronova, Edward, 62
Chatham Group, 168
Chávez, Hugo, 205
Chin, Carolyn, 64
China Business
Ventures, 148
Chrysler Group, 53
Ciba-Geigy, 195
Circle Group Holdings, 129
Circuit City, 142
Cisco Systems, 168
Citigroup, 216, 224
Clark, Jerome, 105
Coca-Cola, 94
Cohen, Jerome, 144

Coleman, Robert, 162
Collins, 43
Comcast, 76, 200
Commerce One, 46
Coors Brewing, 165
Córdova, Leonel, 204
Cox Enterprises, 165
Credit Suisse First
Boston, 58
Cymfony, 132
Cyr, Joshua, 46

D, E, F

Dealogic, 58
DecisionPower, 94
Decode Genetics, 114
Deloitte Touche
Tohmatsu, 111
Delphi, 31, 53
Delta Air Lines, 31
Deltec Asset
Management, 20
Dener, Adam, 175
Dentsu, 94
Detkin, Peter, 166
Deutsche Bank, 175
Diamandis, Peter H., 43
Dickerson, John L., 106
Digital Artists Agency, 162
Digital Domain, 162
Diller, Barry, 200
Walt Disney, 130, 164
Donnelly, Thomas, 166
Douglass, Linda, 134
Down, Steven, 132
DreamWorks SKG, 162
Driggs, Eric, 212
Duvall, Robert, 162
Eaton, 60
Ebay, 62, 168
Electronic Arts, 62
Elixir Pharmaceuticals, 114
English, Paul, 100
Enhanced Memory
Systems, 170
Eolas, 170
Essary, Gayle, 138
Eustace, Alan, 202
Expedia, 103
Farechase.com, 103
Farrell, Michael A.J., 220
Federal Express, 27, 50
Fidelity Investments,
104, 111
Fields, Bertram, 162
FinancialWire, 138
Fischman, Bruce, 131
Ford Motor, 53, 94, 130, 168
Fortis, 60
Fortune Brands, 216
Frontier Airlines, 175

G, H, I

G.P. Putnam's Sons, 32
GVI Security Solutions, 46
Ganetzky, Barry, 90
Garst, 196
Gartner, 132
Gates, Bill, 134, 170
General Catalyst
Partners, 100
General Electric, 175
General Motors, 27, 52,
56, 168, 218
Gerber, Joel, 46

Geron, 114
Ghosn, Carlos, 56
Gilead Sciences, 214
Giuliani, Rudolph, 46
Golden Harvest, 195
Goldman, Jason, 151
Goldman Sachs
Group, 58, 106
Gonzales, Thomas Sr., 46
Google, 131, 168, 198
Gordon, Albert H., 20
Gordon, Catherine, 105
Grantham, Christian, 134
Greenspan, Alan, 48
Gross, J. Nicholas, 170
Guarente, Leonard, 116
Hafner, Daniel S., 100
Haider, Intesar, 224
Halpern, Gregory, 129
Harbour, Ronald, 54
Hause, W. Allen, 90
Heiden, William, 114
Heintz, Christopher, 224
Heller Financial, 175
Hewlett-Packard, 60
Hidalgo, Alcibiades, 205
Home Depot, 60
Honeywell, 60
Hoyt, Christopher, 111
Hsu, Andy, 142
Hughey, Laura, 226
Hussein, Saddam, 205
Hyflux, 108
IBM, 130, 165
ITT Industries, 108
Immett, Jeffrey, 176
ImpactRx, 94
Industrial Light
and Magic, 164
Ingersoll-Rand, 132
Intel, 168
Intellectual Ventures, 166
Intelliseek, 130
InterActive Corp., 200

J, K, L

JPMorgan Chase, 60
Ji, David, 142
Ji, Jean, 144
Johnson, Thomas, 116
Johnson & Johnson, 214, 216
Jones, Pamela, 136
Jung, Edward, 166
Jurascik, Ted, 84
KPMG, 46
Kamin, John T., 144
Karakotsios, Kenneth, 94
Karmann, 53
Katz, Ronald, 168
Kayak.com, 100
Keeling, Jared, 98
Kelley Drye & Warren, 60
Kenyon, Cynthia, 116
Kenyon & Kenyon, 62
Kessler, Andy, 43
Kiblinger, Robert, 62
Kircaali, Fuat, 136
Kitt, Eartha, 162
Klein, Jerry A., 168
Rock, Carl, 46
Kurita Water Industries, 108
Larson, Eric J., 216
Thomas H. Lee Partners,
58, 226
Lee, Kai-Fu, 200
Legerity, 168

Lehman, 105
Lemelson, Jerome, 168
Lenovo Group, 82
Leshop, 94
Levine, Blaszk, Block
& Boothby, 60
Lochtefeld, Thomas, 96
Lopez, Gilma, 212
Lucas, George, 164
Lutz, Robert, 56

M, N, O

MBNA, 60, 134
Maclen, 170
Magna International, 53
Malkin, Michelle, 134
Maquis Techtrix, 170
Márquez, Aida, 212
Marshall, Barry J., 32
Martz, Stephanie, 58
Mayer, Marissa, 200
Merck & Co., 50, 60
Merrill Lynch, 50
Mesa-Lago, Carmelo, 208
Meyer, Marc, 202
Microsoft, 64, 162, 168, 200
Miles, Jacob, 60
Miles, Timothy, 130
Miller, Gary, 148
Miller, Richard, 214
Mobley, Kenneth, 170
Monsanto, 195
Morningstar, 104
Motorola, 76
Mucura, Mirna, 212
Mugabe, Robert, 205
Myhrvold, Nathan, 166
NCSoft, 62
NEC, 170
Napster, 72
Neal, Michael, 175
Nestlé, 129
Net Perceptions, 166
NewGene, 214
Newitz, Annalee, 136
News Corp., 162
Nissan Motor, 56
Nissen, David, 176
Nokia, 168
Norris, Jerome J., 46
Northwest Airlines, 31
Novartis, 195
Novavax, 214
Nuhn, Derek, 170
O'Brien, Jamie, 98
OfficeMax, 60
O'Gara, Maureen, 136
Olind, Timothy, 53
Olshansky, S. Jay, 114
Onetravel.com, 103
Orbitz, 100
Orkut, 200
Ortega, Daniel, 205
Owens, Terrell, 165

P, Q, R

PNC Bank, 60
Pacific Crest Securities, 64
Page, Larry, 198
Palm Harbor Homes, 218
Panasonic, 144
Parker, Robert B., 32
Patel, Shaile, 94
Pedersen, Connie, 195
Pedersen, John, 195

Peebles, Laura, 111
Peña, Noris, 204
Pentair, 108
PepsiCo, 93
Perennial Partners, 224
Peris, Thomas, 114
Phillips, 144
Pimco, 105
Pioneer, 72
Piper Jaffray, 216
Pixar, 162
Polaris Venture
Partners, 116
Potts, David, 138
Pragnell, Michael, 195
Priceline, 103
Procter & Gamble, 94, 130
Prophet Technologies, 168
Putnam, 105
Quarnstrom, Daniel, 162
Quindlen, Tom, 176
Radicati, Sara, 132
Radicati Group, 132
Raging Waters, 96
Ramos, Alejandro, 206
Ramtron, 168
Raytheon, 148
Reese Brothers, 60
Refco, 58
Regional Bank
HOLDERS Trust, 218
Rhapsody, 72
Rhythm & Hues, 162
Riedel, David, 216
Riedel Research Group, 216
Roche, 214
The Rock, 162
Rosen, Stephen, 60
Ross, Scott, 162
Royal Caribbean
International, 98
Rubin, Gerald, 90
Runfeng, Ni, 146

S, T, U

SCO Group, 131
Safir, Howard, 46
Samsung, 168
Sanchez, Otto, 212
Santalo, Juan, 46
Saturn, 27
Schelling, Thomas C.,
94, 222
Schmidt, Eric, 198
Schneider, Jeffrey, 134
Schroeder, Patricia, 202
Schuessler, John, 175
Schwarzenegger,
Arnold, 164
Scudder, 105
Sealy, 216
Semel, Terry, 200
Semiconductor
Insights, 170
Sennheisers, 78
Sequoia Capital, 100
Serta, 216
Sharpe, Robert F. Jr., 111
Sichuan Changhong
Electric, 142
Sidestep.com, 103
Simons, Benjamin, 230
Simpson, Julie H., 89
Sinclair, David, 116
Sinovac Biotech, 214
Sirius Satellite Radio, 72

V, W

Vanguard Group, 105
Veolia Environnement, 106
Viacom International, 216
Vick, Michael, 165
Vivendi Universal, 106
Waggener Edstrom, 130
Wagoner, G. Richard, 54
Wal-Mart Stores, 60, 142
Wang, Charlie, 148
Warburg Pincus, 58
Warren, J. Robin, 32
Watts Water
Technologies, 108
WaveHouse, 96
WaveLoch, 96
Weblogs, 131
Welch, Jack, 176
Wendt, Gary, 176
Wendy's International, 175
Westphal, Christoph, 116
Whitelaw, Granger B., 43
Whitten-Brown, Arthur, 43
Wilbur, Paul, 53
Wilson, Evan S., 64
Winston, Stan, 162
Wisconsin Energy, 108
Wreden, Nick, 134

X, Y, Z

Yahoo, 72, 130, 168, 200
Yanzhou Coal Mining, 216
Yoo Jin Kim, 226
Zhao Yong, 146

FORBES is published biweekly, monthly in August, with an extra issue in April and October, by Forbes Inc., 60 Fifth Avenue, New York, NY 10011. **Subscriptions:** U.S.A., one year \$59.95. Canada, one year C\$89.95 (includes GST). **Forbes Subscriber Service** is available online. To subscribe, change your address, or for other assistance, please visit www.forbes.com/customer-service. Or write Forbes Subscriber Service, P.O. Box 5471, Harlan, IA 51593-0971. **To purchase back issues of Forbes magazine, call 1-800-429-0106.**

Where necessary, permission is granted by the copyright owner for those registered with the Copyright Clearance Center (CCC), 222 Rosewood Dr., Danvers, MA 01923, to photocopy articles owned by Forbes for a flat fee of \$1.50 per copy per article. Send payment to the CCC stating the ISSN (0015-6914), volume, and first and last page number of each article copied. Copying for other than personal use or internal reference, or of articles or columns not owned by Forbes without express permission of Forbes or the copyright owner is expressly prohibited.

To order reprints, call 212-620-2399 or fax 212-206-5118 or e-mail reprints@forbes.com (minimum order 500); to request permission to republish an article, call 212-620-1819 or fax 212-206-5118. Reprints reproduced by others are not authorized.

All IT Systems



One Service Team

For multi-vendor, cross-platform service and support, Fujitsu is the one.

From mainframes to servers, notebooks, and Tablet PCs, no other company provides the full spectrum of services to support business-critical computing like Fujitsu. In addition to our own products, we support a variety of platforms such as Sun™, IBM®, and HP, plus OS/390®, UNIX®, Windows® and Linux environments. We also provide services that improve the operation of your existing IT investments and drive down costs. So, if it's critically important to a CIO's IT infrastructure, we service it.



PRIMEPOWER™ Servers



PRIMERGY™ Servers



LifeBook® Notebooks



PRIMEQUEST™ Servers

With more than 30 years of direct experience collaborating with our customers and aligning their IT and business objectives, we've learned what it takes to maintain a wide variety of complex, mission-critical IT environments—and deliver a higher level of service, for multi-vendor, cross-platform environments. We provide a single point of contact and full accountability to reduce the complexity and cost of support, streamlining operations to offer greater business value.

To learn more reasons why CIOs entrust their IT systems to Fujitsu, visit us.fujitsu.com/computers/services or call 1-800-831-3183.

FUJITSU

THE POSSIBILITIES ARE INFINITE

Editor

WILLIAM BALDWIN

Managing Editor

DENNIS KNEALE

Executive Editor and Editor, *Forbes.com*

PAUL MAIDMENT

Executive Editor and Editor, *Forbes Asia*

TIM W. FERGUSON

Deputy Managing Editor

SHARON PINKERTON

Assistant Managing Editors: Jean A. Briggs, Steve Kichen, Tom Post, Larry Reibstein

Art and Design Director: Robert Mansfield

Editorial Counsel: Lynn B. Oberlander

Editorial Director, Foreign Editions: Katarzyna Wandycz Moreno

Editorial Director, Forbes Asia: Karl Shmavonian

National Editor: Robert Lenzner

Senior Editors: William P. Barrett, Phyllis Berman, Alan Farnham, Daniel Fisher, Robert Langreth, Larry Light, Daniel Lyons, Elizabeth MacDonald, Robyn Meredith (Asia), Richard C. Morais, Peter Newcomb, Michael K. Ozanian, Brett Pulley, Matthew Schiffrin, Bruce Upbin, Merrill Vaughn, Neil Weinberg, Melanie Wells

Contributing Editors: Justin Doebele, Lydia Forbes, Joanne Gordon, Joshua Levine, Dana Wechsler Linden, Dyan Machan, Toni Mack, Stephen Manes, Richard Phalon, Dan Seligman

Associate Editors: Susan Adams, Kurt Badenhause, Scott Bistayi, James M. Clash, Bernard Condon, Mary Ellen Egan, Nikhil Hutheesing, Deborah Markson-Katz, Luisa Kroll, Deborah Orr, Penelope Weiss

Staff Writers: Monte Burke, Carrie Coolidge, Ashlea Ebeling, Jonathan Fahey (Detroit), Allison Fass, Lea Goldman, Tomas Kellner, Daniel Kruger, Michael Maiello, Chana R. Schoenberger, Nathan Vardi

Senior Reporters: Nicole Ridgway, Deputy Chief; David Armstrong, Heidi Brown, William Heuslein, Susan Kitchens, Matthew Miller, Dirk Smillie

Reporters: Kiri Blakeley, Helen Coster, Elizabeth D. Gravitt, Suzanne Hoppough, Patricia Huang, Megan Johnston, Peter Lattman, Amanda Schupak, Tatiana Serafin, David Serchuk, Andy Stone

Editorial Assistants: Michele Anderson, Suzanne Dottino, Amanda Ernst, Lucretia McFadden, Victoria Somers

Washington Bureau: Janet Novack, Manager; Andrew T. Gillies, Matthew Swibel, Cristina von Zeppelin

West Coast: Seth Lubove, Manager; Scott Woolley, Stephane Fitch, Dorothy Pomerantz, Evan Hessel

Silicon Valley: Quentin Hardy, Manager; Elizabeth Corcoran, Kerry A. Dolan, Zina Moukheiber, Senior Editors; Victoria Murphy Barret, Erika Brown, David Whelan

Midwest: Mark Tatge, Manager; Emily Lambert, Christopher Steiner (Chicago); Joann Muller, Manager (Detroit)

Southwest: Christopher Helman

Europe: Michael Freedman, Manager

Pacific: Tim Kelly, Manager; Kiyoe Minami (Tokyo); Russell Flannery, Manager (Shanghai)

Columnists: Laszlo Birinyi Jr., Marilyn Cohen, David Dreman, Kenneth L. Fisher, Jerry Flint, James Grant, Steve H. Hanke, Lisa W. Hess, Peter Huber, Richard Lehmann, John W. Rogers Jr., A. Gary Shilling

Art Department: Ronda Kass, Deputy Art Director; Charles Brucaliere, Anton Klusener, Senior Associate Art Directors; David Lada, Steven Ramos, Associate Art Directors; Mitsuyo Niwa, Art Assistant; Michele Hadlow, Senior Photo Editor; Stephen Aviano, Meredith Nicholson, Janice Pikey, Photo Editors; Leslie Kippen, Contributing Photo Editor; Gail Toivanen, Special Photography Projects and Research; Robin Regensburg, Traffic

Digital Imaging: Mark Decker, Director; Richard Nobile, Assistant; Elena Torres, Gavin Aghamore; Carmen Ramos, Migdalia Barreto

Statistics: Scott DeCarlo, Editor; Shlomo Reifman, Deputy Editor; Ann C. Anderson, Jody Yen, Senior Editors; Fei Mei Chan, Jack Gare, Lesley Kump, Brian Zajac, Associate Editors; Cleveland Johnson, Database Manager; John J. Ray, Samantha N. Wong, Researchers

Director of Editorial Programming: Mitchel Rand; John Chamberlain, Senior Programmer; Carl Subick

Copy Desk: Tracy Fiske, Deputy; Susan R. Goldberg, Richard Hyfler, Suzanne O'Neill, Craig Silver

Information Center: Natalie Cannestra, Assistant Director; Clarita Jones, Information Specialist; Luis Collazo Jr., Jacqueline Daniel, Queenie Flake, Staff

Manufacturing and Production: Mary S. Nemeth, Director of Manufacturing; Emili Alaburic, Michelle Ciulla, Donald R. Conway, Alison Kotch, James Morrow, Joanna Mikolajczuk; Nur Terpis, Production Manager, *Forbes Asia*

Information Technology: Louie Torres, Bradford Campeau-Laurion, Peter Menoni, Managers; Carolyn Agro-Buonocore, Supervisor; Philip Blake, Esad Becaj, Joseph Lodato, Tim Martin

Online: Dan Bigman, Charles Dubow, Michael Noer

FOUNDED IN 1917

B.C. Forbes, **Editor-in-Chief** (1917-1954)

Malcolm S. Forbes, **Editor-in-Chief** (1954-1990)

PAID CIRCULATION OVER 900,000 Printed in U.S.A.

Side Lines

The Centenarian Diet

Robert Langreth, who wrote the article on longevity (*see p. 112*), has a scientific frame of mind, which means that he puts faith in controlled studies and molecular biology and gives little credence to anecdotal evidence. So I hope he will look the other way as I embellish his analysis by presenting data from a sample set consisting of one person. Herewith, a prescription for living forever from Albert H. Gordon, who used to run Kidder, Peabody & Co. Gordon agreed to be interviewed at the behest of his granddaughter-in-law, Carrie Coolidge, who covers personal finance for *FORBES*.



Albert H. Gordon

Gordon took over the nearly bankrupt Kidder in 1931 and turned it into a minor powerhouse on Wall Street, serving as investment banker to such firms as Carnation, Walt Disney and Mitsubishi Electric. He was Kidder's chairman and a large shareholder when General Electric bought the business in 1986. Under GE, Kidder came to a bad end, but Gordon steams on. He works four days a week at Deltec Asset Management. He's 104. What's the secret to his health?

Some of the regimen is standard fare. His lifetime consumption of tobacco is a single puff on a cigarette, his only alcohol intake a glass of champagne once a year. He doesn't salt his food.

No surprise that his routine includes exercise. But look at how fanatical he is about it. On a number of occasions he got off a plane, sent his bags home with a cabbie and walked the distance (the hike from JFK took six hours). For years he walked from Wall Street to his upper Manhattan home, making a game of trying to do this without being stopped by a don't-walk light. That demands mathematical planning and intermittent sprinting. At 81, Gordon took up marathon running. Now he works out on a stationary bicycle.

No coffee or tea. With meals he has a cup of hot water, uncontaminated by any herbal infusion. He consumes prodigious quantities of dark Côte d'Or chocolate, high in cocoa solids, low in sugar.

You knew that yo-yo dieting is bad. When Gordon tips the scales a single pound too high, he cuts out whole meals, substituting a Carnation instant breakfast.

Gordon eats red meat. George Bernard Shaw, a famous vegetarian, died at 94; no doubt the playwright could have lived to 100 on a more balanced diet. But that's my unscientific opinion.

William Baldwin
EDITOR



Every new Sonata passes through a 360-degree rotary-dip paint primer bath, not once but 11 times.

A 360° approach to quality. At Hyundai, we're obsessed with the process of quality. For example, the body of the all-new Sonata rotates through the paint primer bath 11 times. What's more, the primer is electrically charged so that paint is attracted to even the most remote parts. The result is a vehicle with a new level of corrosion protection and a flawless paint finish. The rotary-dip bath is just one of the new, cutting-edge, environmentally friendly processes at our state-of-the-art assembly plant in Montgomery, Alabama. Where we lead the way in advanced manufacturing technology. It's a Hyundai like you've never seen before.



HYUNDAI
Drive your way™

hyundaiUSA.com

HYUNDAI AND HYUNDAI MODEL NAMES ARE REGISTERED TRADEMARKS OF HYUNDAI MOTOR AMERICA. ALL RIGHTS RESERVED. ©2005 HYUNDAI MOTOR AMERICA.



Michael came with:

A simple will, drafted without considering
the other pieces of his financial life.



TOTAL MERRILL



Merrill Lynch

Client profile simulations are for illustration only. Client experiences and results may vary. This
provide legal or tax advice. You should consult your own attorney or tax advisor regarding
Pierce, Fenner & Smith Incorporated. Member, SIPC.



Michael left with:

A fully integrated estate plan that incorporates all his assets and will leave behind a legacy for his family.

A Financial Advisor who collaborates with his estate planning attorney and accountant.

A strategy that includes life insurance to protect his assets from the unexpected.

A charitable trust that's tax efficient, enabling him to support his current philanthropy while still preserving assets for the next generation.

generation ago, a will may have been enough. But planning your estate today requires a total perspective. At Merrill Lynch, we look at every facet of your financial life. From investments and mortgages, to taxes and insurance. Help you use the power of your entire financial life, so more of your legacy reaches the next generation."

— Norman Bing, Merrill Lynch Financial Advisor

See a Merrill Lynch Financial Advisor or 1-800-MERRILL. Or visit www.totalmerrill.com.



offer to sell, nor an invitation to apply for any particular product or service. Neither Merrill Lynch nor its Financial Advisors are responsible for the results of any particular investment or financial situation. *Total Merrill* and *Total Merrill design* are service marks of Merrill Lynch & Co., Inc. © 2005 Merrill Lynch.

President and Editor-in-Chief Steve Forbes
 Chief Operating Officer Timothy C. Forbes
 Chairman Caspar W. Weinberger
 President and Publisher Forbes Magazine Group James S. Berrien
 Vice Chairman Christopher Forbes
 Group Vice President-Editorial James W. Michaels
 Publisher Forbes Magazine Rich Karlgaard
 President Forbes FYI Robert L. Forbes
 Chairman Forbes International Brian Mulroney
 Executive Vice President Electronic Publishing
 James Spanfeller

Executive Vice President Chief Financial Officer
 Sean P. Hegarty
 Senior Vice President General Counsel and Secretary
 Terrence O'Connor
 Senior Vice President General Manager Scott E. Masterson
 Senior Vice President Corporate Communications
 Monie Begley Feurey
 Vice President Treasurer Philip F. Reville
 Vice President The Forbes Collections Margaret Kelly Trombly
 Vice President Business Development Miguel Forbes
 Controller Thomas J. Callahan
 Director of General Services Gary Prasto
 Director of Human Resources Margaret W. Loftus
 Director of Knowledge Management Anne P. Mintz
 Group Director of Production and Manufacturing Elaine Y. Fry
 Group Director of Circulation Nina M. LaFrance
 Director of Distribution Edward Conrad
 Director of Protocol Cathi Culbertson
 Director of Project Management Amy C. Berretta
 Director of Consumer Marketing Carolyn Topak
 Director of Consumer Business Jamie A. Fallon
 Director of Information Technology Robert Cacace
 Director of Information Systems Christopher A. Herring
 Director of Corporate Communications Laurie Baker
 Director of Internal Communications Diane Reeves

Vice President Associate Publisher Kevin Gientzel
 Vice President Conference Group Kendall Croluis
 Vice President Marketing Deborah Himmelfarb
 Vice President Custom Solutions Edward Z. Hughes
 Vice President New Business Partnerships Mike Woods
 New York Jennifer Giampietro Cooke, Felix DiFilippo, Group
 Advertising Directors
 Moira Forbes, Vicki King, Sherry Phillips,
 Diantha W. Redd, Hayley Romer, Frank W. Rosa
 Atlanta John Reock
 Boston Gary Manis, Mgr.
 Chicago William J. Powers Jr., Mgr.; James W. Wall
 Detroit Shauna Haras, Group Advertising Director;
 Christine Schultz
 Los Angeles Jill S. Harris, Mgr.; Lisa K. Carden
 Silicon Valley Frank Thorn, Group Advertising Director;
 Chesley Bohac, Denyce Kehoe, Chris Litchfield
 Washington, D.C. David Pinkerton, Jr., Group Advertising
 Director

Director of Economic Development Peter T. Malloy
 Executive Director of Marketing Nancy Bensimon
 Director of Research Linda Lawrence
 Director of Merchandising and Events Karen Moroney
 Creative Director of Design Center Susanne Preinfalk
 Director of Media Strategies Andrea Sontz
 Director of Corporate Integration Selden Blommer
 Director of Special Sections Carol Nelson
 Group Business Director Jeff Reilly
 Marketing Director Lawrence Ganz

President and Publisher Forbes Asia
 William Adamopoulos
 Tokyo Hiroyuki Nakagawa, Japan Director;
 Toshiaki Iizuka, Japan Advertising Sales Director
 Hong Kong Pauline Seow, Eva Cairns, Regional Sales
 Directors
 Singapore Joyce Lim, Serene Lee, Regional Sales Directors

Vice President Managing Director Europe Robert A. Crozier
 London Juanita Caspari, Sam Davies, Regional Sales
 Directors/Europe

International Projects
 Executive Director James W. LaCirignola

Forbes Newsletter Group
 Vice President/Editor Matthew Schiffrin

Forbes Investors Advisory Institute
 President Wallace Forbes;
 Vice President Vahan Janjigian

Advertising Business
 Manager Brandon Russell; Ivette Reyes

Cloudy With Chance of Litigation



Deluged in Dularge, La. after Hurricane Rita.

"Hurricane Tort" (Oct. 17, p. 52) is a terrifying reflection of how class action lawyers callously generate lawsuits. The sad part is that some day a "brilliant" judge will be swayed by their arguments that energy generators should indeed be punished for polluting the environment and contributing to global warming. Class actions, then, will end up accelerating global warming as we fall back on coal, wood burning and horse-drawn buggies. Meanwhile, the world's most consistent and greatest emitter of carbon dioxide gas—the living and breathing human race—will continue to multiply. Second only to the burgeoning population of tort lawyers.

JASJIT S. BINDRA
 Groton, Conn.

Bucking the System

"The Invisible Bankers" (Oct. 17, p. 95) was a good, concise summary of a complex problem. The Matrícula Consular, however, is issued by the Mexican government (albeit at its local consulates), not the U.S. government. It has been the object of controversy. Some Americans question its validity; others just do not want undocumented workers using banks and licensed financial institutions at all.

Congress has decided that guest workers will no longer get state-issued driver's licenses. If people have no ID and no way to get one, we can hardly be surprised when they use the informal (unlicensed) financial system.

Casas de Cambio processes foreign exchange and money-transfer transactions throughout Latin America. Some are licensed, some are not. As stated in your story, they are used exten-

sively by the general population. But they are looked upon with suspicion. It is widely assumed that some have lax record-keeping standards, ask no questions and do not require identification. Money transmitters are often erroneously categorized as being part of these foreign financial institutions, which is to our detriment.

Demanding to see ID and halting suspicious transactions has been one way to isolate the bad guys. Handling workers' remittances can be done only by the licensed, nonbank sector. It is only to the extent government ensures that licensed operators have a level playing field that the real bad guys will be easier to find and stop.

DAVID LANDSMAN
 Executive Director
 National Money Transmitters
 Association
 Great Neck, N.Y.

The new business collection by

Samsonite

Life is a Journey

"To me, business isn't about wearing suits or pleasing stockholders. It's about being true to yourself, your ideas and focusing on the essentials."

Richard Branson, Chairman of Virgin and inspired world traveler.

Pro-DLX. The business essentials collection.

The case against toy shredders.

Underpowered shredders can be so frustrating, you'll avoid shredding. These days, that's dangerous. The Powershred SB-85C will give you the power and muscle to confetti-cut 15 sheets at a time, ripping through most junk mail—envelopes and all. Plus, DVDs, CDs, credit cards and paper clips.



www.fellowes.com

THE WORLD'S TOUGHEST SHREDDERS™



Fender Bender

Thank you for "Killing the Dream" (Sept. 19, p. 151). I believed in the Saturn dream. I bought a decent car for a decent price, got great service and loved the idea that management and labor were working together.

This was important to me because I grew up in a union household but began to sympathize with the management side of business as I got older. Saturn seemed like the perfect common ground and a sign of things to come in a new-car market. As usual, GM and the UAW got it backwards. They beat Saturn into the GM mold. Maybe I should find a good mechanic who can keep my old Saturn running. Everyone who sees it will be reminded of what once was and what could have been.

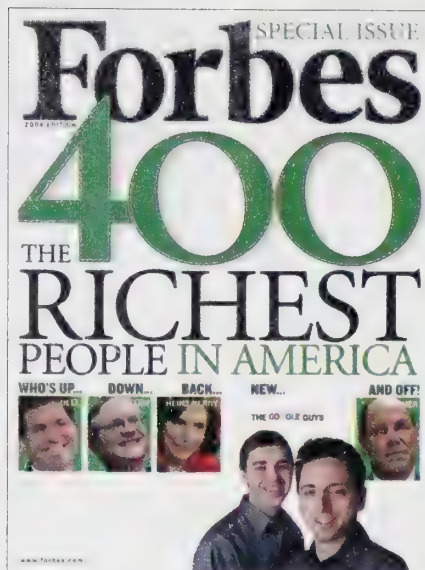
JIM VILK
Akron, Ohio

Closing Argument

The letter from Daniel J. Sullivan, chief executive of FedEx Ground (*Readers Say*, Oct. 3, p. 22) tells only half the story when he says that FedEx drivers can buy and sell routes and equipment. He fails to mention that every truck purchase and route sale must be approved by FedEx Ground and can be vetoed by the company. He says drivers can hire and fire their own employees, but fails to mention that anyone who drives a truck owned by a FedEx Ground driver must have the company's approval.

Plaintiffs in the 32 class actions filed around the country have sued to represent all drivers in 25 states, about half the workforce, not a mere 1%. Few FedEx Ground customers have any idea that their delivery people have to buy their own trucks and uniforms. Bravo to FORBES for delivering both sides of this controversy.

LYNN ROSSMAN FARIS
Attorney, FedEx Ground Drivers
Oakland, Calif.



Become a Press Lord for Fun

Many of the wealthy on your list, "The Forbes 400" (Oct. 10, p. 89), spend their discretionary money on setting up foundations. Fine. But in most U.S. cities there is an unfilled niche for the bored billionaire who wants to have fun and do good at the same time. Why not own a newspaper? The U.S. has thrived more than 200 years because of an aggressive, resourceful press. The best newspapers are family-owned: The *Wall Street Journal* (the Bancrofts), *Washington Post* (the Grahams) and the *New York Times* (the Sulzbergers). It's nice to give millions to your alma mater. A more pressing need is a vigorous press.

MARK BORINSKY
Baltimore, Md.

Mind the Gap

I've just finished reading "The Inequality Imperative" (Oct. 10, p. 64), expecting the usual laissez-faire assertions that wealth goes hand in hand with intellect and hard work (which would undoubtedly boost the self-esteem of Zsa Zsa Gabor and the Hilton sisters). But I give you one brownie point for noting that the widening gap between rich and poor has little to do with the presidential regime of the day. Every Administration since 1981 has pursued roughly the same economic policies—increasing wealth in the hands of a few. Your column was an enjoyable read.

CLOUD MORRIS
Portland, Me.

Protect against identity theft.

Shred all:

- Credit card receipts
- Financial documents
- Personnel records
- Canceled checks
- Banking information
- Legal documents
- Anything with your SSN

BE SAFE,
SHRED IT!



Forbes

Send e-mail to readers@forbes.com or visit www.forbes.com/letters. Letters will be edited. Please include address and phone number.



YOU CAN'T
HAVE A
FAVORITE
PLACE UNTIL
YOU'VE SEEN
THEM ALL.

Do you live an InterContinental life?



INTERCONTINENTAL®

HOTELS & RESORTS

Call 1-800-ICHOTELS
or visit www.intercontinental.com

YOU'D THINK PHIL HAD JUST RECEIVED
THE HIGHEST SCORE IN CLIENT SATISFACTION
AMONG 11 MAJOR IT CONSULTING FIRMS.




BearingPoint
Global Management & Technology Consulting

Much like Phil, BearingPoint works hard not only to create, but also implement winning strategies. Our commitment to this philosophy is what sets us apart from the competition. And the market is taking notice. BearingPoint recently received the highest score in client satisfaction among 11 major IT service firms providing consulting and implementation services. Forrester Research, a leading technology research company, published the score in their annual independent survey "IT Services Provider Scorecard," July 2005. Experience **BearingPoint.com**.

By Steve Forbes, EDITOR-IN-CHIEF

"With all thy getting get understanding"



Good News from China?

ON HIS RECENT VISIT TO CHINA, TREASURY CHIEF JOHN SNOW lectured his hosts *less* about the allegedly undervalued yuan and *more* about Beijing's moving faster to open its financial services industry to foreign investment and competition. He also beat the drum for China's needing to encourage domestic economic growth instead of relying on exports. (According to Treasury Department bureaucrats, the Chinese—because of their lack of a social security system and the primitiveness of their capital markets—are saving too much.)

Investors had better hope that Snow's focus on internal structural reforms is a face-saving way for the U.S. to back away from trying to force Beijing to undermine its currency. A few months ago Beijing agreed to a minor adjustment in the yuan/dollar valuation, including tying the yuan to a mysterious basket of other currencies. But the bottom line here is emphatically stark: Currency changes are not the way to wealth. In fact, they're a disaster—they hinder wealth creation and hurt stocks. The uncertainty of a currency's value makes capital more expensive to employ. And more domestic capital is likely to find its way into safer havens. Particular industries may gain from a currency change, but the econ-

omy as a whole is hurt. If money manipulation were the road to riches, Zimbabwe, Argentina and Bolivia would own the world.

A big Beijing revaluation would trigger a recession—tight money contracts an economy—which would then lead to a currency collapse à la Indonesia's in 1997. After all, China does not have the capital-market expertise or mechanisms to successfully manage a volatile currency.

The political repercussions would not be pretty: Realistically, authoritarians, ultranationalists and anti-free-enterprisers would become more powerful in the face of political chaos.

By the way, economists who should know better are still yelping that China is accumulating too much in the way of reserves, currently more than \$750 billion. However, as the ever-wise economist Steve Hanke points out (*see p. 222*), China does not have enough reserves, given the size of its economy and the scale of its banking system's bad loans.

A stable yuan/dollar relationship would aid both the Chinese and the American economies—which would be good for the U.S. equities market. Be grateful that for the moment Snow & Co. are speaking more softly on the currency issue.

Bad Business

WHY SHOULD UNCLE SAM STAY IN THE PENSION INSURANCE business, where it has been since the mid-1970s? Private companies insure municipal bonds. Why not let similar outfits do the same thing with pensions?

The possibility that the pension plans of the recently bankrupt Delta and Northwest airlines and auto parts maker Delphi will be dumped onto the federal Pension Benefit Guaranty Corp. for bailout underscores the need for drastic reform. Congress will soon have to bail out the PBGC itself: The agency is already in the hole for at least \$23 billion, an amount that will increase as more companies hit the financial skids. Sensible changes that Congress is considering include charging higher premiums; basing a company's premiums on the soundness of its pension plan; closing loopholes that allow companies with shaky pension plans to get around already legislated higher premiums; imposing strict timetables for underfunded plans to be brought up to snuff; and enforcing more transparency so that

workers know the true condition of their plans.

But these reforms still don't deal with the basic flaw in the PBGC—what economists call a "moral hazard." A government insurance scheme inevitably induces companies to overpromise pension benefits and to underfund their plans. United Airlines, for example, boosted promised retirement payments some 45% for its mechanics only months before the company went into Chapter 11. Hence the reason Washington should start to extricate itself from this business. The PBGC should be closed to new customers, and current ones should be given a choice—stay in and pay realistic premiums, or pull out. Then once the agency is shored up, it should be privatized.

Ultimately, defined-benefit pension plans should wither away and be replaced by defined-contribution plans such as 401(k)s. To avoid Enron-like debacles, we should have rules governing the diversification of assets in 401(k)s so there can be no disproportionate investments in an employer's stock.

Bad Bargain

LAST SPRING THE HOUSE OF REPRESENTATIVES APPROVED LEGISLATION for the federal government to fund embryonic stem cell research. The Senate takes up the bill shortly. The world's "most exclusive club" should deep-six this measure. If it doesn't, President

Bush should do something he's never done—wield his veto pen.

The good that comes from embryonic stem cell research has been thoroughly overhyped. It has yet to provide a single cure for those suffering from Parkinson's disease and a whole host of other

afflictions. But you'd never know that, given all the hoopla and hyperbole. Moreover, scientists are devising new techniques to extract embryonic stem cells without destroying the embryos themselves. True, these approaches may take years to bring to fruition. But given the paucity of medical breakthroughs using embryonic stem cells, why is Congress in such a rush? Meanwhile, *adult* stem cell research, which includes stem cells from umbilical cords, is already achieving impressive results in mitigating the suffering caused by diabetes, blindness, certain forms of cancer and paralysis.

The moral case against the use of embryonic stem cells is unsailable. Embryos are human beings. While only a handful of cells, embryos are distinct individuals at the very beginning of life. Those folks who support the Faustian bargain of harvesting embryos to try to cure various medical conditions say that these embryos, most of which are conceived in fertility clinics, will otherwise end up being destroyed instead of stored as most now are. But where's the logic in that? A growing number of childless women are adopting such embryos, which, after implantation, grow to term and are born.

Outsiders Induce Ulcers for Insiders

THE NOBEL PRIZE IN MEDICINE WAS FITTINGLY AWARDED THIS YEAR to two Australian physicians, Drs. Barry J. Marshall and J. Robin Warren. In the early 1980s the pair declared that most ulcers are caused by a certain stomach bacterium, *Helicobacter pylori*, not by stress or spicy foods, as had long been believed. For years their findings were disdained and ignored. Not until the 1990s did the medical establishment finally acknowledge that Marshall and Warren were right—most peptic ulcers can be quickly cured with antibiotics. No more need for the endless consumption of antacids, bland foods and milk.

The lesson here can never be stressed enough: In business, medicine and elsewhere, great breakthroughs very often come from outsiders, entrepreneurial folk not part of the establishment, of "mainstream" thought. Railroad companies didn't invent the automobile; traditional filmmak-



Unconventional laureates, Warren and Marshall.

ers didn't create videotape or DVDs; telephone companies long underestimated the "creatively destructive" impact of the Internet. As universities and colleges turned left, conservative think tanks such as the Heritage Foundation (on whose board I sit), the Cato Institute and others burgeoned with innovative, groundbreaking research that has changed our country's political and cultural landscapes.

The federal government plays a massive role in funding medical research. Is there a connection between that fact and the frustratingly slow progress in conquering cancer's many variations?

All this is one reason the capital gains tax should be eliminated. With more money available to be invested in research, inventors and entrepreneurs would be better able to create products and services that challenge established ones—or create whole new categories altogether.

Parker Lands Another Punch

School Days—by Robert B. Parker (G.P. Putnam's Sons, \$24.95). America's mystery maestro scores again. Our private investigator hero Spenser (no first name) is hired by a grandmother to prove the innocence of her 17-year-old grandson, who, along with another schoolmate, has been accused of killing seven students and teachers and wounding eight others in a Columbine-like massacre. The trouble is, the kid has confessed to his part in the hideous crime.

Though dubious about the young man's inno-



cence, Spenser takes on the case. He persistently encounters a virulent let's-put-this-behind-us attitude from local police, school officials and even the parents. He has a violent encounter with a wannabe-Rambo-but-ain't police chief. He discovers that the head of the school and a school counselor are both rather ethically challenged. His investigation is pockmarked by violence. Spenser's findings satisfy few of the book's characters, but the case will rivet readers from beginning to end.

RESTAURANTS: GO, CONSIDER, STOP

Edible enlightenment from our eatery expert Tom Jones and colleagues Patrick Cooke and Monie Begley, as well as brothers Bob, Kip and Tim.

● **Mr. K's**—570 Lexington Ave., at 51st St. (Tel.: 212-583-1668). The perfect choice for those seeking an elegant, gracious place to take people who like their comfort. This is traditional Chinese fare at its best, served in the most refined and pampering manner.

● **Ono**—Hotel Gansevoort, 18 Ninth Ave., at 13th St. (Tel.: 212-660-6766). One of the handsomest and most sophisticated Japanese restaurants in the city. Pace yourself on the "rice paper" crisped in Asian barbecue sauce, or you won't have room for

tuna tartare, crab salad with soba noodles, crispy shrimp crackers, skewers of Kobe beef or chicken breast, tuna with peppers, sushi or rib-eye steak—all of which are delicious.

● **La Mangerie**—1008 Second Ave., at 53rd St. (Tel.: 212-759-7086). An old-fashioned French bistro serving delectable Provençal classics: steamed mussels, sautéed calamari, beet salad, fish soup, poached salmon and roasted pork loin. It's wonderful for either a casual business dinner or a romantic one. **F**



EQUITIES | FIXED INCOME | GLOBAL CLEARING | INVESTMENT BANKING | WEALTH MANAGEMENT

A company is known by the clients it keeps.

**Maybe that's why we were voted America's
Most Admired Securities Company.**

Some of the largest companies in the world recognize the value delivered by Bear Stearns. We were voted No. 1 Securities Company in the Fortune® magazine "America's Most Admired Companies" survey† twice in the past three years. The secret to our success is no secret. It's our people — their skill, dedication and entrepreneurial spirit have built the kind of company you keep.

**A great deal depends on
working with the right people.™**



Engines like this don't happen every decade.



Beyond horsepower, there's the power of BMW innovation. Our new inline, 6-cylinder engine marks a new era in engine design. It's the world's first with lightweight composite magnesium. And now it's 1

0-60 mph in 7.8 seconds. 20 mpg city/28 mpg highway for the 525i manual transmission. EPA-estimated figures are for comparison purposes only. Actual mileage may vary depending on speed, driving habits, trip length and driving conditions; actual highway mileage will most likely be



BMW 2006
5 Series

bmwusa.com
1-800-334-4BMW



The Ultimate
Driving Machine®

re powerful, yet 8% more fuel efficient, averaging
highway miles per gallon*. BMW engineering takes
next great leap. Fasten your seat belt.

Other Comments

Joy untouched by thankfulness is always suspect.

—THEODOR HAECKER

Serious About Spending Talk is cheap. The federal response to Hurricanes Katrina and Rita won't be cheap. Congress now faces a test of political courage. Will lawmakers have the spine to reprioritize federal spending, stop hemorrhaging red ink and instead redirect funds where they're needed most?

Americans recognize it is irresponsible for members of Congress to spend money on pet projects when those funds would be better spent helping the citizens of the Gulf Region. Americans can't and won't tolerate passing along enormous debts to our children and grandchildren so members of Congress can brag about "giving" their constituents quarter-billion-dollar bridges to nowhere. Congress and the Administration say they want to do the right thing. Now lawmakers can put their money where their mouths are.

—EDWIN J. FEULNER, president, Heritage Foundation

China's Way Forward The Bush Administration must find a way to restrain the impulse of many in Congress to all but declare a trade war against China. China is now the world's third leading importer, behind only the U.S. and Germany. Since 2000, U.S. exports of goods to China have more than doubled to \$35 billion while U.S. exports to the rest of the world have grown a paltry 2%. Last year, China was the fifth-largest market in the world for U.S. exports.

The challenge for the Bush Administration will be to keep the pressure on the Chinese government to continue its economic and trade reforms while fending off any legislation in Congress that would disrupt normal and growing trade and investment ties between our two countries. China's emergence from centuries of isolation and stagnation is one of the great stories of our time. Hundreds of millions of its citizens are beginning to taste the rewards of middle-class life that most Americans take for granted. It is profoundly in our economic and security interests to nurture that progress.

—DANIEL T. GRISWOLD, Cato Institute, The Hill



"This isn't an aria—it's a filibuster."

Corporate Welfare Woes Both the White House and Congress are aware of the Pension Benefit Guaranty Corporation's problems. [But] their proposed solutions do not go to the heart of the problem. A better approach would be to phase Uncle Sam out of the pension-insurance business altogether.

In most other industrialized countries, fringe benefits from health care to retirement are government-provided or -subsidized. Indeed, many American firms competing in international markets complain bitterly about the implicit subsidies in government-sponsored fringe benefits in other countries.

The proper answer is not to imitate our international competitors with more government subsidies of pensions. Nor should we continue incentives for businesses to enter bankruptcy in part to seek financial protection from their retirees. Instead, we should have an American answer, one based on confidence in the private sector as best able to resolve purely financial issues. That answer could be privately insured, fully funded, defined-benefit plans. It could be annuities. Or it could be defined-contribution plans controlled by individual employees within prescribed investment plans. But the answer is not the PBGC.

—HAROLD FURCHTGOTT-ROTH, New York Sun

Part of the Problem Government does not solve problems; it subsidizes them.

—RONALD REAGAN

Do No Harm Adult stem cell research's medical breakthroughs render inexcusable Congress' efforts to fund embryonic stem cell research. With dilemma-free treatments already curing patients, why on Earth did the GOP-controlled House of Representatives last May approve federal funds to slice tiny boys and girls into laboratory specimens? Republicans have no business initiating subsidies for homicidal medical research. For now, pharmaceutical companies remain free to finance this activity, if they must.

When the Senate votes later this fall, it should defeat this measure and let adult stem cells work their magic. Taxpayers should not be forced to sponsor the destruction of microscopic-Americans, especially when "surplus" embryos are being adopted, implanted and born alive. Washington should let these souls on ice live happily ever after.

—DEROY MURDOCK, New York Post

End Results Wherever your life ends, it is all there. The advantage of living is not measured by length, but by use; some men have lived long, and lived little; attend to it while you are in it. It lies in your will, not in the number of years, for you to have lived enough.

—MONTAIGNE **F**



The entire department heard Bob exclaim, "Cool!" as he used the Web browser on the new imageRUNNER 6570 to access and print his company's 4th quarter sales results.

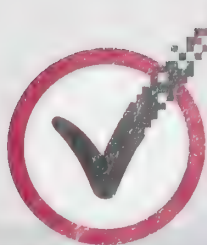


imageRUNNER 5570

Bob's company isn't doing business as usual. What about your company? While "cool" definitely applies to the new Canon imageRUNNER® 70 Series, "groundbreaking" is more apt. Both the imageRUNNER 6570 and imageRUNNER 5570 have the industry's first embedded Web access function—in other words, a full-size user interface panel that actually lets you call up Internet or intranet data without the use of a PC, right from the device. Once you've done that, you can print the forms and documents you need to work more efficiently and productively. Of course, there are a host of other great features that help expand the potential of your workday. And that's definitely not business as usual.

1-800-OK-CANON www.imagerunner.com

Canon
image*ANYWARE*



A mobile call is seamlessly connected—one of 2.7-billion telephony interactions we handle every day.

A sales executive is authenticated as he logs on to his enterprise network—one of over 3,000 enterprises we secure every day.

VeriSign intelligent infrastructure at work.

Voice / Data Networks

VERISIGN INTELLIGENT INFRASTRUCTURE SERVICES

- Communications
- Commerce
- Content

© 2004 VeriSign, Inc. All rights reserved. VeriSign, the VeriSign logo, "Where it all comes together," and designs are registered or unregistered trademarks of VeriSign and its subsidiaries in the United States and other countries.

VeriSign, the VeriSign logo, "Where it all comes together," and designs are registered or unregistered trademarks of VeriSign and its subsidiaries in the United States and other countries.



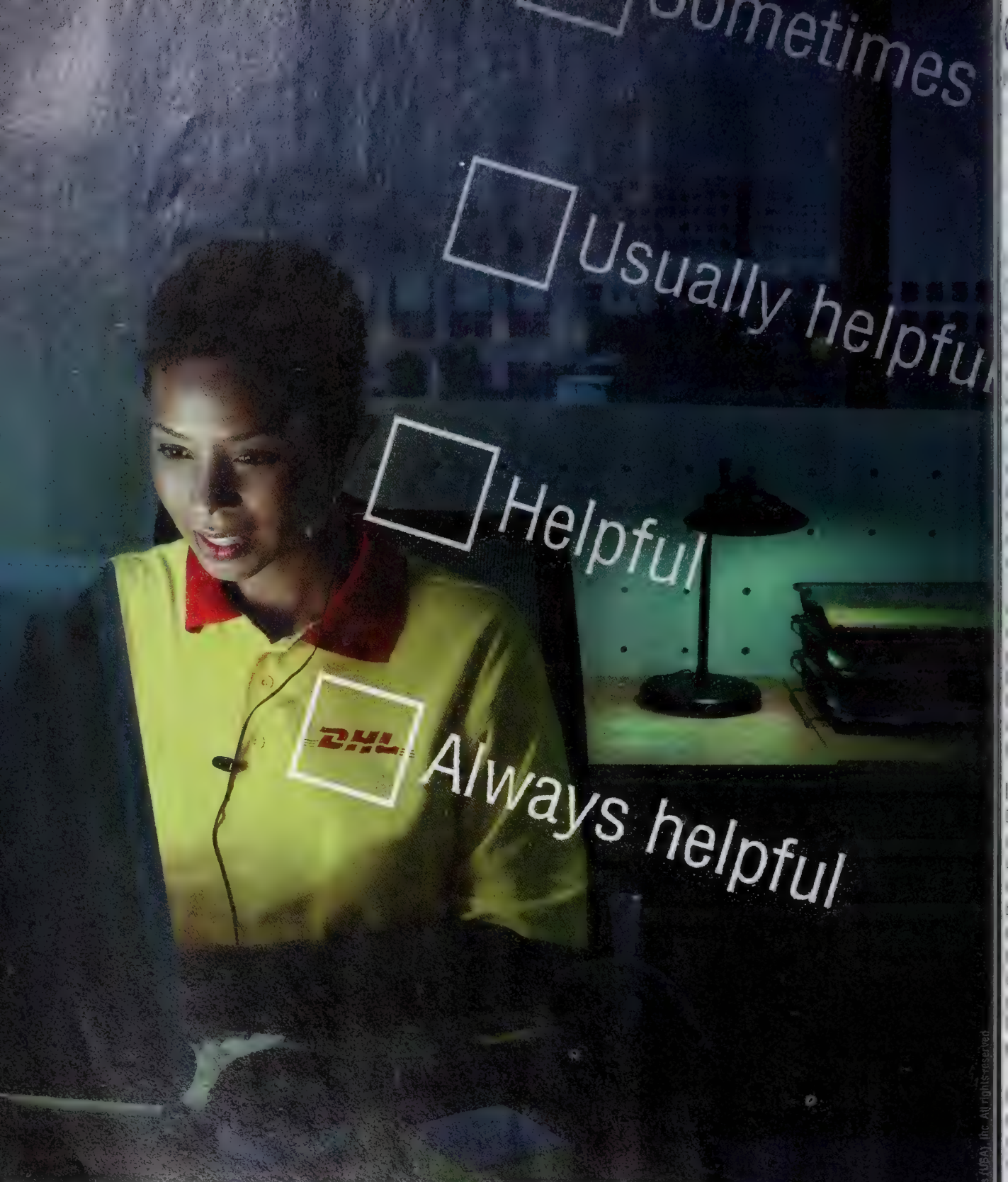
A consumer surfs the Web for information and entertainment—one of 15-billion Internet interactions we help direct every day.

A time-sensitive message is securely delivered—one of 10-million text and multimedia interactions we enable every day.

Today and every day, VeriSign intelligent infrastructure services enable and protect an ever-increasing number of interactions over the world's voice and data networks, helping to drive a dramatic transformation in the way people work, play, and live. That's why global enterprises, service providers, and media companies are turning to VeriSign to help them accelerate new revenue opportunities and sharpen their competitive edge. We can help you too. **VeriSign.® Where it all comes together.™**

www.verisign.com/en/footer
Download the free white paper on intelligent infrastructure services





We're bringing customer service back to shipping. With people who understand your business. People who call you back. People who help you out when you have a problem. Call us at 1-800-CALL DHL. And we'll show you how we're changing the way the shipping business does business.

www.dhl.com



Current Events

By **Ernesto Zedillo**, FORMER PRESIDENT OF MEXICO
DIRECTOR, YALE CENTER FOR THE STUDY OF GLOBALIZATION



Climate Change: Prudence or Venture?

THE QUESTION OF WHETHER OR NOT GLOBAL WARMING IS TAKING place has been settled by science: It is happening. The discussion is now about how far the warming could go if present trends continue; the degree to which human activities, through the generation of greenhouse gases (GHG), have worsened and will continue to accelerate the warming; the possible consequences on human habitat; and, of course, the way to go about approaching climate change. Positions range from one extreme, which dismisses the seriousness of the phenomenon and says the problem deserves little, if any, attention in public policy, to another, which claims that unless drastic action is taken locally, nationally and internationally the world will be heading irremediably toward climate-caused catastrophic events of unprecedented proportion. From the latter perspective, no effort or economic cost should be spared to mitigate global warming.

Opinions on this issue are sharply divided within and among countries. The consensus that once seemed to exist vanished in 2001, when the U.S. withdrew from the Kyoto Protocol. Nevertheless, the protocol—thanks to Russian ratification a year ago—accumulated the necessary endorsements and became an international treaty in February. Kyoto commits a group of industrialized countries to comply with specific targets for GHG emissions during the 2008–12 period, achieving an average 5% reduction from their 1990 levels.

Impaired Kyoto

Even the most enthusiastic supporters of Kyoto, however, would admit that this is far from being a fully satisfactory response. After all, the treaty tries to address what is conceivably a long-term problem with only short-term emissions targets too modest to make a difference in solving the problem at hand. The biggest GHG emitter, the U.S., is not part of the emissions-reduction process, and neither are some large developing countries that, by virtue of their increasing consumption of fossil fuels resulting from their economic growth, already are or soon will be significant GHG emitters. Furthermore, the jury is still out on whether the countries committed by Kyoto to reduce GHG emissions are really on track to do so.

Without demeaning the value of what's being done either through Kyoto or unilaterally by local governments, social organizations and individual business firms, it's clear that much more must be done. Two steps need to be taken: The international community must pursue anew a consensus on the real dimensions of the problem; and, if warranted by the scientific evidence on climate change and by serious economic and social analysis, the required strategies to counteract global warming must be adopted—the sooner, the better.

Throughout the last year research teams across the globe have presented ever more comprehensive and reliable evidence on the causes of global warming and its expected impact on the planet, including those we're experiencing today. They have found evidence of the effect of human activity in the global warming of the world's oceans, documented the rapid melting of glaciers and Arctic sea ice and confirmed feedback phenomena, which could further accelerate the greenhouse effect. Although not caused by climate change, tragic events such as last December's tsunami, this season's hurricanes and last month's earthquake in Pakistan have perhaps made the public more risk-averse toward natural disasters and more open to the hard choices a serious approach to climate change will entail.

The record-high price of oil in recent months is also a factor. The global economy has shown a remarkable resilience to huge increases in the price of fossil fuels, unlike during previous episodes, suggesting that past estimates of the cost of adapting to a less-carbon-dependent economy might have been exaggerated. Moreover, it should be expected that if higher oil prices are here to stay, then the shift toward other sources of energy and increased energy efficiency will be accelerated by market forces alone. Some global firms have provided remarkable examples of energy-efficiency improvements that have reduced costs while impressively abating carbon emissions.

Looking Beyond Kyoto

It's clear, however, that if a more precautionary view toward climate-change risks, based on scientific evidence, finally becomes the consensus, spontaneous action on the part of individuals, businesses and local governments and communities driven by market incentives and social conscience will not suffice. It is intrinsic to the nature of the problem—it's a global issue that calls for global action, yet each person, community and country is or will be tempted to free ride on the efforts of others—that more decisive coordinated government action, nationally and multilaterally, will be warranted. It's also clear that the U.S. will have to be a key player in any significant undertaking. Its sheer contribution to accumulated GHG, its successful experience in controlling other atmospheric pollutants and its influence on other potential key players make its participation and leadership indispensable in any viable international enterprise to confront the challenges posed by climate change.

The U.S. government shouldn't wait to be pushed by the forces of public opinion to engage more actively and constructively in addressing this problem. Rational prudence is the way to go. **F**

Forbes
MAGAZINE

Ernesto Zedillo, director, Yale Center for the Study of Globalization, former president of Mexico; **Lee Kuan Yew**, minister mentor of Singapore; and **Paul Johnson**, eminent British historian and author; in addition to *Forbes* Chairman **Caspar W. Weinberger**, rotate in writing this column. To see past Current Events columns, visit our Web site at www.forbes.com/currentevents.

Introducing Cisco plus.

Plus open architecture. Plus intelligence
that optimizes applications.

Plus automatic core-to-edge security.

Plus VoIP on your existing
infrastructure. Minus the forklift.

Minus the lock-in. Come see how

3Com can make any network more secure,
more intelligent, more plus.

Cisco Systems, Inc. is not affiliated or associated with nor
does it endorse the products or services of 3Com Corporation.
Whoa! Big surprise. So yes, we do compete with Cisco. But we
also co-exist with them as an overlay to your current network.



security

VoIP

wireless

switching

routing

services

3com.com/AdvanceTheNetwork



Why We Need Goofy Contests

BESIDE THE WAR IN IRAQ AND THE SCRAP OVER THE PRESIDENT'S Supreme Court nominee, last month's announcement of the Rocket Racing League—the *what?*—came off as comic relief. What's this, a new *Jetsons* movie? Or could George Plimpton be risen from the dead and writing spoofs? The Rocket Racing League, though, is no put-on. It's real, the brainchild of Dr. Peter H. Diamandis, M.D., the private-space-travel entrepreneur, and Granger B. Whitelaw, entrepreneur, venture capitalist and two-time Indy 500 team winner. Diamandis was the force behind last year's Ansari X Prize, won by Burt Rutan's *SpaceShipOne* for kissing the boundary of space twice within two weeks.

The Rocket Racing League's races will operate much like auto races—except that the “track” is up in the sky. The league's Web site says the rocket planes, called X-Racers, “will take off from a runway both in a staggered fashion and side-by-side and fly a course based on the design of a Grand Prix competition, with long straightaways, vertical ascents and deep banks. “Upon take-off, onlookers will easily follow the race as the rocket planes remain in view and sport 20-foot rocket plumes. Fans can also track their favorite pilot's progress via large-screen televisions and handheld GPS tracking devices using Wi-Fi to stream video of the cockpit, live ‘on-track’ shots, side-by-side views and wing-angle views.”

Now admit it. The idea of Nascar fans watching pod racers at 5,000 feet makes you laugh, right? But such contests, mixing science, innovation and derring-do—even the nuttier ones—are good for society. They lead to economic advance.

From Rocket to Lindy . . .

In 1829 the proprietors of the Liverpool & Manchester Railway held a contest to determine whether horses or locomotives could better transport industrial revolution goods. Andy Kessler tells the story in his wonderful book about innovation history, *How We Got Here* (Collins, 2005). “This was the drag race of the time,” writes Kessler, “but with a real purpose, as many still believed that horses should pull trains on the line.”

Four engines entered the contest for a prize of £500. Kessler notes: “A fifth entry named *Cycloped* was powered by a horse running on a belt—think of a horse on a treadmill—but was withdrawn when the horse fell through the floor.”

Students of the industrial revolution know the rest of the story. George Stephenson's *Rocket* won, with speed runs of 25, 30 and 36mph. During the next year *Rocket*'s successor, *Arrow*, carried 1,200 people on the Manchester-Liverpool line. Just five years after that traffic had grown to a half-million people. In other words, a corny contest gave England cheap public transportation. It also put legs or, rather, wheels under the industrial revolution.

In 1919 a pair of £10,000 prizes were awarded to air-

plane pilots. One was for crossing the Atlantic Ocean, awarded by the London *Daily Mail*. Britons John Alcock and Arthur Whitten-Brown accomplished the feat in June, flying a Vickers Vimy biplane from St. John's, Newfoundland to Clifden, Ireland. In December the Australian government awarded its prize to Aussie brothers Ross and Keith Smith, who flew another Vimy from England to Australia in less than 30 days. These contests awoke the world to the possibility of commercial air travel.

Charles Lindbergh, of course, won the most famous aviation contest of all. In June 1927 he and his St. Louis backers collected the \$25,000 Orteig Prize—named after the New York hotelier, Raymond Orteig, who put up the money—for completing the first solo transatlantic flight, from New York to Paris.

. . . and JFK to Bush

“I believe that this nation should commit itself to achieving the goal, before this decade is out, of landing a man on the Moon and returning him safely to the Earth.” It was President John F. Kennedy's genius to make a sporting contest out of an urgent need. Indeed, Kennedy's speech was called a “Special Message to the Congress on Urgent National Needs” and was delivered to a joint session of Congress on May 25, 1961. That was six weeks after the Soviet Union's Yuri Gagarin had orbited Earth. Kennedy knew the score. “If we are to win the battle that is now going on around the world between freedom and tyranny, the dramatic achievements in space which occurred in recent weeks . . . in many ways may hold the key to our future on Earth.”

Contests are not only fun. They can also be key to our survival.

If President Bush is serious about rekindling NASA—a worthy idea—I have a suggestion. NASA's annual budget is \$16 billion. Within that budget NASA sets aside \$20 million for prizes to reward real accomplishments, not just paper proposals. That's wa-a-a-y too little. In fact, it's a puny one-eighth of 1% of NASA's budget.

Why not bump up the annual prize figure to \$2 billion? The U.S. would get a lot more bang than it gets now for that \$16 billion. NASA, alas, seems paralyzed. The agency's new goal of putting a man on the Moon by 2018—13 years from now, and we've already been there—proves its weak vision. NASA's execution is poor, too. The agency has already spent billions of dollars on the National Aerospace Plane, the X-33, X-34, X-37, X-38 and the Orbital Space Plane. None of these has flown. Meanwhile, Burt Rutan's *SpaceShipOne* was built for less than \$40 million.

President Bush wants to fire up his presidency. Here's a way: Commit America to big, gaudy, public contests in space travel and energy. These will fire up an entire country. **F**

Forbes

Visit Rich Karlgaard's home page at www.life2where.com or e-mail him at publisher@forbes.com.





More Risk Than Reward



On the February 2004 day when what's now GVI Security Solutions said Howard Safir, New York City police and fire commissioner under Rudolph Giuliani, had become its chairman, the stock price, adjusted for a later 65-to-1 reverse split, closed at \$17.55. Shares soon reached \$32.51.

But now they've fallen to a recent 30 cents, despite public appearances by Safir, payments for favorable Web plugs and a stream of press releases touting new contracts. One reason: The Carrollton, Tex. firm, which provides video surveillance and security systems, lost \$3.4 million on \$34 million in first-half revenue. No comment from GVI or Safir, who gets \$200,000 a year and has oodles of options. The outfit's annual filing with regulators included eight pages of risk factors.

—David Serchuk

From Commerce One to Commerce None

The Internal Revenue Service says Thomas Gonzales Sr. used a sham tax shelter to shield gains of \$350 million from what looks like astute selling of family shares in Commerce One, a symbol of the dot-com boom and bust. Gonzales, of Incline Village, Nev., is in U.S. Tax Court fighting an \$80 million bill. Touting business-to-business software, Commerce One shares rose 3,834% between the July 1999 initial offering and March 2000. Gonzales, whose since-deceased son was a company cofounder, himself had been an executive vice president. He left in 1998 but, a prospectus says, retained an unspecified holding. The IRS says Gonzales offset a \$347 million gain in 2000 and another \$3 million in 2001. The firm flamed out, and its assets were sold after a 2004 bankruptcy. The feds say the shelter—sold by now-tarnished KPMG—improperly inflated the investment's tax basis. Gonzales' lawyer had no comment.

—Janet Novack and William P. Barrett

At Issue: The Principle of the Principal

Owing \$26,696.48 on his 2002 taxes, Potomac, Md. lawyer Jerome J. Norris worked out a deal with the IRS to pay two installments of \$13,348.24. Applying the usual convention of rounding tax payments to the nearest dollar, he made twin payments of \$13,348.00. The agency sent him a bill for 48 cents—and for another \$439.52 in late-payment penalty and interest. Representing himself, Norris sued. U.S. Tax Court Chief Judge Joel Gerber just ruled for Norris, calling the collection effort “an abuse of discretion” while noting the parties’ costs “far exceed[ed] the amount disputed.”

—J.N. and W.P.H.

He Lost Only Half?

Inundated by spam e-mail hawking various penny stocks, Joshua Cyr, a software developer in Portsmouth, N.H., decided to quantify the quality of the pitches. On paper he bought 1,000 shares of each new stock mentioned in an incoming e-mail. His fledgling Web site, spamstocktracker.com, displays the results. Since May Cyr has sifted through more than 1,000 tips, eliminated duplicates and invested a theoretical \$17,405 in 31 companies. The latest value of his portfolio: \$9,089, a loss of 48%. Cyr writes of a recurring pattern he found: “Almost all of those stocks went up a few cents max, then dropped like flies the next day.”

—Scott Woolley

It's Harder to Jail Shareholders

A new academic study suggests corporate managers worry more about fixing environmental problems than do their shareholders. Spanish business professors Carl Kock and Juan Santalo looked at 487 U.S. firms from 2000 to 2002, comparing changes in both waste levels and number of environmental violations to changes in return on assets. Their conclusion: “Equity investors consider environmental issues still primarily as a potential drag on profits” while “managers may heed calls and pressure for better environmental performance by government [and] organizations like Greenpeace.”

—Tatiana Serafin

Hedgehogs

Regulatory claims of fraud by hedge fund managers seem all the rage, judging by these recent smaller cases.

—W.P.B.

NAME/LOCATION	ALLEGATIONS INCLUDE	STATUS
Gregory Applegate/Ashland, Ohio	siphoning investor funds to run coffee shop	court order freezing assets
Joseph W. Daniel/New York, N.Y.	inflating value of holdings by 20%	consented to civil injunction
Charles L. Harris/Winnoka, Ill.	taking for own use part of \$10 million in fund	sentenced to 14 years
Edward Thomas Jung/Chicago, Ill.	defrauding investors who anted up \$21 million	sentenced to 9 years
Won Sok Lee/Steger Island, Fla.	hiding big losses in \$81 million raised	court order bars repetition
Russ R. Luciano/Darby, Pa.	stealing some of \$4.5 million being managed	sentenced to 50 months
Scott R. Sacane/Weston, Conn.	manipulating prices of stocks in portfolio	civil lawsuit pending

Source: Securities & Exchange Commission



UNLOCK THE VALUE HIDDEN WITHIN YOUR ENTERPRISE.

Inefficient business processes, slow product development, fragmented customer data—these are just a few signs that your enterprise has hidden opportunities for increasing customer and shareholder value. That's where we can help.

We're Tata Consultancy Services, TCS, creator of the Global Delivery Model for software development. For over 35 years TCS has been the provider of choice for hundreds of clients around the globe seeking to improve business performance through superior IT consulting and outsourcing solutions. Whether it's increasing supply chain efficiency, elevating customer service or improving speed to market—we've helped some of the best companies in the world become even better.

Let TCS help you unlock hidden value in your enterprise. For a more complete introduction, email marketing@usa-tcs.com or visit TCS online at www.tcs.com.



value:infinite

IT Consulting / IT Solutions / Engineering and Industrial Services
BPO / IT Infrastructure Solutions / Product-Based Solutions



TATA

TATA CONSULTANCY SERVICES

By Michael J. Handel, AUTHOR, WORKER SKILLS AND JOB REQUIREMENTS: IS THERE A MISMATCH? (ECONOMIC POLICY INSTITUTE), ASSOCIATE PROFESSOR OF SOCIOLOGY, NORTHEASTERN UNIVERSITY, BOSTON, MASS.

We're Not That Dumb

Our economic ills are supposedly due to a gap between workers' skills and job demands. That gap is a myth.

EVERYONE KNOWS THAT THE U.S. SUFFERS FROM A SHORTAGE OF well-educated workers, right? Fed Chairman Alan Greenspan has repeatedly said that U.S. workers need to beef up their skills and training if they want to compete globally in this era of technological innovation. President Bush proposes education policies based on the assumption that the quality of schools is sliding inexorably downward. It's a simple story of accelerating demand and lagging supply.

Too bad that much of the evidence fails to support these contentions. Skill and education levels have not declined among either employed adults or high school students in recent decades. In the early 1960s nearly 50% of all Americans had dropped out of high school, including nearly one-third of young adults. Today both figures are under 15%. Four-year college completion rates for young workers doubled from 15% to 30% over the same period. In fact, Americans are more educated now than ever before.

So why the concern with education? Scores on college entrance exams like the SAT and ACT did decline between the mid-1960s and the early 1980s. For much of that time the U.S. economy was also in recession and faced a withering challenge from the apparently better-educated Japanese. This began what is now a tradition of blaming education for economic problems.

Let's set the record straight. Since the early 1980s scores have remained level or climbed, depending on the test. Math SAT scores are higher now than they were in the early 1970s. While adult test scores in America are mediocre in comparison with those in other Western industrialized countries, my research shows surprisingly little relationship between average test scores and gross domestic product per hour worked among rich countries. U.S. workers are still more productive than almost every other country's.

What about rising wage inequality? Many labor economists think the spread of computer use to the broader workforce explains most of the change, especially between college- and high-

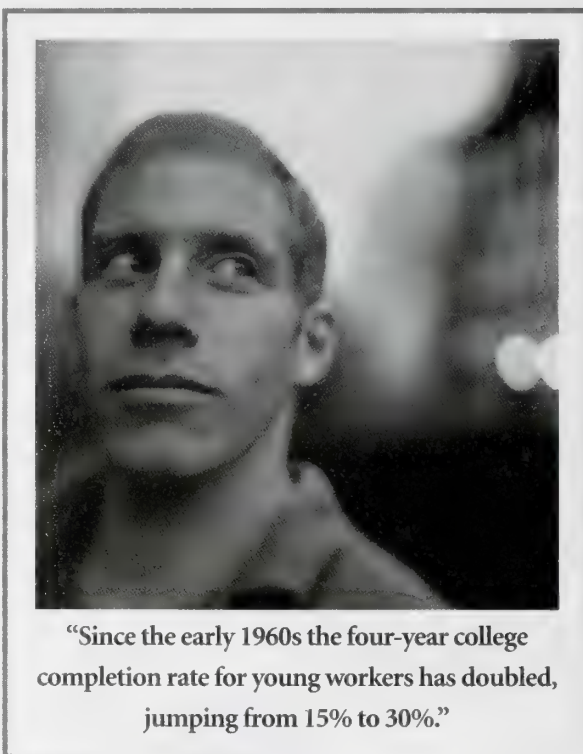
school-educated workers. In fact, most people use computers in ways that are relatively easily learned and do not require expert knowledge or much greater cognitive skills than before computers arrived on the job. Much of the early evidence that computer use would raise the average users' pay or the skill level needed for typical jobs has proven shaky on closer examination. Most of the growth in the college-versus-high-school wage gap occurred between 1980 and 1990—suggesting that technology was not the main driver or that its biggest effects on skill demand are behind us.

Of course, technology may change the job mix. But again, the most rapid shift to skilled white collar work is in the past. It happened more quickly in the 1970s and 1980s, when the percentage of all jobs in the managerial and professional category increased by between four and five percentage points, than in the 1990s, when it grew three percentage points.

Skill requirements will continue to rise, probably at about the same steady, measured pace as in the last four decades, not at the breakneck speed of popular imagination. The labor force will likely continue to absorb these changes in reasonable but imperfect fashion. After all, if the skills gap has been growing all this time, how to explain the latter half of the 1990s, when unemployment rates plummeted, productivity growth soared to levels

not seen since the late 1960s and real wages rose broadly for the first time since the early 1970s?

I'm not suggesting that workers should forgo college or training opportunities. Improving educational quality and access has always been a good idea. But the problem with the skill-shortage story is that it perpetuates myths about both workers and jobs. The reason the wages of most Americans stagnated in the last 25 years is not the lack of skills or education. Rather, the economic crises of the 1970s and early 1980s resulted in a drive to lower labor costs that became institutionalized as a basic premise of management. The real problem lies not with workers but with an economy that doesn't produce enough well-paying jobs.



"Since the early 1960s the four-year college completion rate for young workers has doubled, jumping from 15% to 30%."



Thin. Just what America needs.

The lean Samsung 940T display.

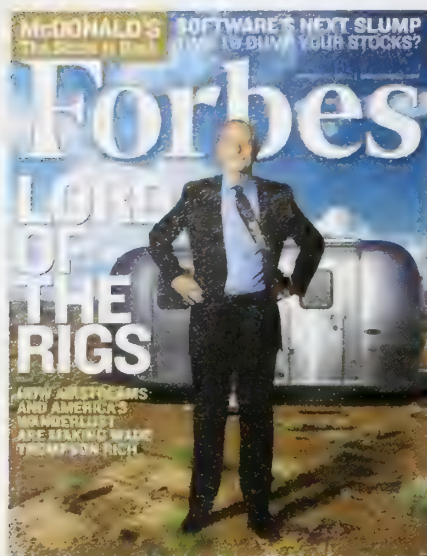
The 940T with its ultra-narrow bezel allows you to concentrate on what matters — the screen. This 19-inch monitor comes with 1000:1 contrast ratio for more realistic images and greater depth and color. Our thin bezel is another example of Samsung's leadership as an innovator producing quality product and technology, backed by great support and service. Contact us and you'll see why thin is in. www.samsung.com/monitor or 1-800-SAMSUNG

©2005 Samsung Electronics America, Inc. Samsung is a registered trademark of Samsung Electronics Co., Ltd. All product and brand names are trademarks or registered trademarks of their respective companies. Screen image simulated.

SAMSUNG

MARCH 29, 2004

Road Warrior



Thor Industries Chief Wade Thompson kicked his company into overdrive after Hurricane Katrina devastated the Gulf Coast. As head of the nation's largest maker of recreational vehicles, Thompson sent a letter to federal officials offering to expedite sales of habitable units at competitive rates. The government failed to take Thompson up on his offer, instead ordering 71,000 RVs from a variety of makers and dealers. After Thor's fiscal 2005 earnings rose 15%, posthurricane demand pushed September orders up 35%. The company has opened a new factory in Indiana to meet demand. Thor's stock is up from \$25 when our story ran to a recent \$32. —Luisa Kroll

DECEMBER 24, 2001

Killing Cancer

In October Merck announced a victory in a battle we described four years ago. Merck was developing a vaccine to fight human papillomavirus (HPV), which causes genital warts and, more lethally, cervical cancer. After a 12,000-woman, 13-country, 17-month trial, 100% of the women given the vaccine were protected against the two strains of HPV that cause 70% of the world's cervical cancer cases. HPV is the

fastest-spreading sexually transmitted disease, and cervical cancer kills 290,000 women worldwide each year. Merck plans to apply for federal approval for the vaccine, dubbed Gardasil, during the fourth quarter. It could be available as soon as the spring of 2006. —Jonathan Fahey

NOVEMBER 26, 2001

Merrill's Bad Calls

Four years ago we wrote about a flood of arbitration complaints filed with the National Association of Securities Dealers by unhappy investors. At Merrill Lynch in particular the case count had surged. The firm was rewarding brokers for favoring wealthy clients and generating larger trades, a practice that suggested more complaints from small investors could be on the way. Now it seems that the NASD had concerns of its own. The regulatory body launched an investigation that focused on the advice that brokers at Merrill's two telephone call centers gave in 2001 and 2002 to investors with less than \$100,000 in assets. In a statement, Merrill acknowledges its call centers experienced "growing pains," which, it says, have since been rectified. The parties appear to be near a settlement that could include sanctions and a fine. —Michael Freedman

SEPTEMBER 19, 2005

FedEx Grounded

In September we wrote about the onslaught of litigation Federal Express faced from its truck drivers. At issue: FedEx's classification of its 14,000 ground-shipment drivers as "independent contractors." The plaintiffs say they lack autonomy and get no benefits or overtime. In October a Los Angeles Superior Court judge issued a permanent injunction ordering FedEx to reclassify its California drivers as employees. If other judges take their cue from California and FedEx has to reclassify, the pretax cost could amount to \$1.4 billion. FedEx says it will fight to keep the independent contractor status and will appeal. —Elizabeth MacDonald

FLASHBACKS

65 YEARS AGO IN FORBES OCTOBER 30, 1920

Autos in a Rut

Motor companies which have attempted an over-ambitious program of production expansion find themselves in rather deep troubles, now that the buying demand has slumped badly. This is especially true of makers of low-priced cars, which felt the full force of the jolt Henry Ford gave the automobile industry when he dropped prices back close to the prewar level.

20 YEARS AGO IN FORBES JUNE 17, 1985

Over a Barrel

"While people are talking about an oil glut," says Armand Hammer (left), chairman, chief executive and architect of Los Angeles' giant Occidental Petroleum Corp.,



"I think we are headed for a great shortage of oil, and when that happens, I think the price of oil is going to soar." Hammer argues that just as the conventional wisdom misjudged the situation when the price of oil was rising, so it is misjudging again when the price is weak.

The price of oil dropped from \$27 a barrel in June of 1985 to \$13 a year later.

10 YEARS AGO IN FORBES SEPTEMBER 25, 1995

Samsung's Success

Samsung Electronics is a success story of epic proportions. Little over a decade ago, the company was known mainly for making cheap black-and-white TV sets and Third World products like electric fans and rice cookers. Then founder Lee Byung Chull, already well into his 70s, made the boldest decision of his life. He plunged into semiconductors. In 1987 the U.S. government slapped 100% antidumping duties on the Japanese chipmakers and forced them to open the Japanese market to foreign producers. Prices rose. Samsung rushed into both the American and the Japanese markets.

Samsung recently agreed to pay a \$300 million fine for its role in a global cartel that drove up prices for electronic memory.



YOU CAN TALK ABOUT IT.
YOU CAN THINK ABOUT IT.
YOU CAN HOPE FOR IT.
BUT IF YOU ACTUALLY
WANT TO CUT A BOLT,
USE A BOLT CUTTER.

We want to help you grow your business. No matter what you have to cut through to do it. From simplifying complex operations, to modernizing your applications infrastructure to keep up with demand. And we won't simply talk about it. We'll make it happen. Like we did working with Coors Brewing Company when their massive growth left them with a large, unwieldy, and expensive IT environment. As a team, our get-it-done work ethic streamlined their processes, provided flexible capacity, and reduced their cost of applications management by as much as 40%. Making sure that robust growth was just that, robust.

Because if you want to cut through the difficulties of managing growth, think of us as your bolt cutter. It's what we do. And we want to do it for you.

www.eds.com



Let's get to work.



THIS GM FACILITY
CLOSED

The Fabless Car

Will the Big Three still be building cars ten years from now? By Joann Muller and Jonathan Fahey

ASPRETTY AS THE NEW PONTIAC Solstice is, General Motors doesn't plan to sell very many of the \$20,000 roadster convertibles now arriving at deal-

erships. GM is keeping the volume low by design, to about 20,000 cars a year. Yet the car is being built at a giant 3.2-million-square-foot, 58-year-old factory in Wilmington, Del. that only a decade ago

cranked out as many as 221,000 vehicles a year.

Over this misallocation of resources GM has little control. Union rules require it to pay workers whether they are build-



capacity than it needs to build the 5.5 million cars and trucks it sells each year.

GM and the other auto companies in the same straits are taking tentative steps to reconcile these disparities. GM (which has lost \$6 billion so far this year) and Ford (\$1.5 billion) are both planning to close multiple factories and cut thousands of hourly workers. GM's recent agreement with the United Auto Workers could shave \$15 billion off the company's long-term health care liability. And the bankruptcy of Delphi, the nation's largest parts supplier, could further overhaul the industry's flabby cost structure by closing factories and by cutting pay, pensions and health care.

But another idea gaining speed would transform the industry more radically: give smaller contract manufacturers responsibility to build entire vehicles, like the Solstice. The big automakers, under this model, would do less automaking and more designing, engineering and marketing. The small manufacturers wouldn't be weighed down by large factories and expensive workers. Unionized suppliers typically pay \$10 less per hour than manufacturers.

This transformation, if indeed it does take place, will be years in the making. But what it might bring would look a little like the auto industry of the distant past, when Henry Ford arranged for Dodge Brothers to build most of the

farming out its dirty work. In the chip business the participants are called "fab-less"—they are manufacturers without fabrication plants.

Magna Steyr, a subsidiary of Canadian auto supplier Magna International, is now looking for a U.S. site where it would put a factory and build entire cars, not just parts of them. It's been pitching the idea to GM, Ford and Chrysler, as well as to European carmakers that are having a tough go sending cars made in high-wage European factories to the U.S.

ASC, a Southgate, Mich. specialty carmaker, has a slightly different twist on the same concept. It builds the Chevrolet SSR convertible pickup truck in 42 sections at a factory in Lansing, Mich., then hauls the sections 6 miles up the street to a GM plant where UAW workers put it together. Germany's Karmann is opening its first factory in the U.S. in January 2006 to supply roof modules to Chrysler and General Motors, but it has offered to build whole vehicles. It's already building the Chrysler Crossfire in Germany and shipping it to the U.S.

Says Timothy Olind, chief operating officer of Karmann USA: "We can provide financing for the entire product so it doesn't show up on their books until the product shows up at the dealer."

GM, Ford and Chrysler could better afford to risk bold, unique designs if they didn't have to sell out a whole factory's worth of vehicles. "It's a fairly cheap way of buying capacity to bring new models out, and if you fail, you're not left with excess capacity and all those legacy costs," says ASC Chief Executive Paul Wilbur.

The outsourcing of carmaking is fairly common in Europe, where the long tradition of customized coach-building morphed into low-volume mass production. In Graz, Austria, Magna produces BMW X-3s, Mercedes-Benz E-Classes, Saab 9-3 convertibles, Jeep Grand Cherokees and Chrysler minivans. A factory owned by Karmann produces Audis and

Company

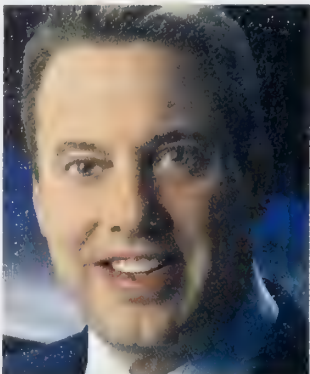
ing cars or not, so it might as well have them build something. While a few of GM's 29 North American factories are working overtime, many more are vastly underutilized. Overall, GM has 14% more

Model T's sold by Ford Motor and Walter Chrysler subcontracted car bodies. The concept is certainly not out of step with modern manufacturing, either, which has many an electronics firm



"We are viewing the U.S. economic and auto market environment with considerable caution.... We are at a critical juncture in our company's history."

G. RICHARD WAGONER
CEO, GENERAL MOTORS



"We are far from the finish line. Change and challenge are coming at an accelerated pace.... Our industry is beginning a dramatic restructuring, which is sorely needed."

WILLIAM CLAY FORD JR.
CEO, FORD MOTOR



"All I've done here is blow the whistle and say let's face it. Let's now deal with it: hard issues, hard choices. Life is going to be different."

ROBERT S. MILLER JR.
CEO, DELPHI CORP.

Mercedes, in addition to the Crossfire. In Asia contract manufacturing is also well entrenched, though it's typically done by companies that are partially owned by Japanese automakers.

What makes contract manufacturing appealing now in the U.S. is the fragmenting market—there are 330 models this year compared with 250 in 1996. That means a lower sales volume for each. All three automakers are scrambling to remake their assembly plants so that any one plant can pump out a variety of models at the same time, but flexibility isn't coming fast enough. "The outside guys are nimble. They can expand and contract," says Jay S. Baron of the Center for Automotive Research, which will soon

publish a study on low-volume manufacturing strategies.

Automakers could farm out small-volume vehicles, such as the Solstice, to companies like ASC. Or they could pay contract manufacturers to sop up excess demand when times are good, enabling them to run their own operations at peak efficiency. Automakers would plan for a factory to build 70% of a model's highest volume, which usually happens during the first 18 months after a vehicle is introduced. A contract manufacturer makes up the other 30%, and later, when the vehicle starts to age, the automaker changes over its factory to something new and lets the contract manufacturer build the stragglers.

Chrysler has already taken a half-step toward contract manufacturing in the U.S., with a Jeep factory now under construction in Toledo, Ohio. Chrysler turned over three-fourths of the operation to suppliers, who also bear a large share of the investment risk.

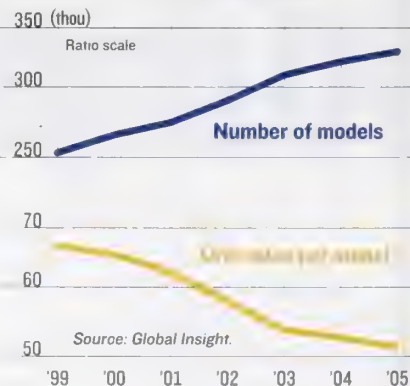
Giving up manufacturing altogether is a notion that makes GM Chief Executive G. Richard Wagoner bristle. "Generally, contractors don't offer any advantages that we can't do ourselves," he says. "We think it's core to our business to build our cars and trucks." And recently GM has been better at putting vehicles together than designing and engineering interesting ones. According to an annual manufacturing study published by Harbour Consulting, GM now has 8 of the best 20 factories in North America. "Manufacturing is where they've made the most progress," says Ronald Harbour. "What they haven't been able to do is convince people their products are better and different."

Would the unions put up with lower wages at the subcontractors? "The UAW is probably receptive when the alternative is closing the plant," says Baron. Indeed, the UAW signed off on Chrysler's innovative Jeep factory, which included lower pay for some.

And before it makes sense for the auto industry to add factories, the old money-losing factories will have to be shuttered. ASC's Wilbur estimates 21 of the 101 assembly plants in North America are running at less than 50% of capacity. **F**

Atomized Autos

Carmakers need to feed the appetite for variety by building cars for every taste. The problem: doing it profitably.





© 2009 Marriott International, Inc.

SPRINGHILL SUITES PRESENTS THE GO-TO BED.

We've made the mattresses thicker, the pillows and sheets softer, and getting out of bed in the morning nearly impossible. You'll find the new beds at SpringHill Suites® altogether irresistible. They have to be to compete with all the incredible style and comfort designed into every one of our spacious suites.

SpringHill Suites. Spacious by design.SM

IT'S THE MARRIOTT WAY.SM



For reservations, call 1-800-MARRIOTT or visit Marriott.com/SpringHillSuites.

SM bedding availability varies by location.



Saving General Motors

THE GM BOARD OF DIRECTORS HASN'T ASKED ME FOR advice. But just in case I get that phone call, I am ready. Here are five things they should demand. First, iron-willed leadership. The men and women of GM need fighting words and inspiration from the top. The present management sounds as if it's thrown in the sponge. Here's a quote from the chief executive officer of GM, in *Fortune* in September: "I think we have a chance to continue to be a major force in the industry."

I thought of the defiant quotes in our history: "I have not yet begun to fight"; "Remember the Alamo"; "If you can find a better car, buy it."

"I think we have a chance to continue to be a major force in the industry" just won't do.

Second, a revival plan with defined goals and timetable. It will state when the company will be profitable. When it will reach a stated percent return on sales by what date. This must be the General Motors Revival Plan, not the mush we've seen to date. And the chief executive must vow that if these goals and timetables are not met, he will resign.

Listen to this car executive, whom I'll identify later: The boss, he wrote, "must make certain that the vision of the company and of its future is known, understood and shared by everyone, including the factory worker, including the car salesman. He must make certain that there's a relatively simple, clearly articulated and universally known strategy for sustaining that vision. Furthermore, his strategy must include crucial goals, identified and presented according to their priority."

Third, open messages to every UAW member, to midwestern governors and members of Congress. The workers themselves must know what GM needs to survive, and political leaders must understand the danger. Yes, I've seen the GM-UAW reports. It is a great start, but it covers about one-third of what GM needs to do to cut health care costs, and it might be years, yes, years, before there is any serious cash saving. That's because GM agreed to put \$1 billion a year into a new health

care fund in 2006 and 2007. That washes out the \$1 billion a year in projected savings for two years. Workers should know that GM's health care costs need to be reduced by \$3 billion a year—cut in half, that is—not reduced by just \$1 billion. Active workers should be prepared to pay \$200 a month (from nothing now) for a health care plan that will be narrower in coverage and have higher deductibles, as much as \$1,000. Retirees should get \$500 a year to help with a Medigap policy, and that's it.

The jobs bank, which guarantees thousands of laid-off GM workers their pay and benefits until they go on pension, should be killed. Instead, they should get three weeks' pay for every year on the job. The present hourly pay rates should stay, yes, stay. But in the next contract there should be no raise, no cost-of-living bonus, no \$1,000 bribes to vote for the contract. There should be no more agreements not to close factories during the contract.

Understand that GM workers are older, have paid off their houses, boats and second homes, and the kids have left home. They have an ingrained idea they fought and bled for what they have, but it's not true. The bleeding was in 1937. There hasn't been a good strike in decades. They were handed the pay and benefits increases every three years like clockwork. But they have this confrontational attitude, us against them. So GM workers just might say, "Let GM go bankrupt. I don't need this job anymore, and my pension is safe." GM must be prepared for such a kamikaze attitude.

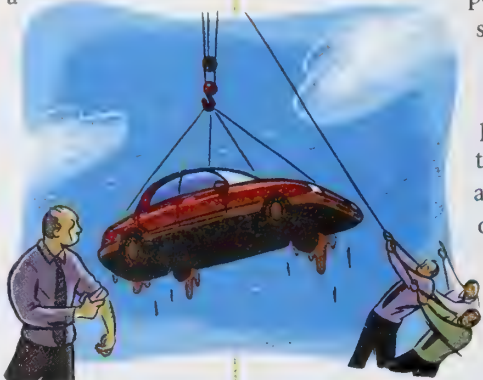
Fourth, a shift in power and responsibility to the people responsible for the products. The cars and trucks are always the heart of the business, but the GM management system is dysfunctional now. No one can do anything. The historical memory of what the cars should be has been wiped out. You can't find anyone below Vice Chairman Robert Lutz who can order—order!—a piece of plastic cladding to be taken off a car.

As the car executive said: "If you don't know how cars are built, or what the technical characteristics are, or how long it takes to develop new models, or how the priorities line up—you can't be an effective manager of a car manufacturer, especially during a period of crisis."

Fifth, a reversal of the supplier policy, which has turned every supplier against GM and bankrupted some, too. If necessary, see if Tom T. Stallkamp, a genius at this thing and former Chrysler president, would come aboard.

"If an exercise consists solely in demanding more and more from the supplier, without modifying your relationship with him, that's not going to last long."

Those are my five for the board members, if and when they decide that the present course of action is unsustainable. Those quotes, by the way, are from Carlos Ghosn, the man who turned around Nissan.



Forbes

Jerry Flint, a former Forbes Senior Editor, has covered the automobile industry since 1958. Visit his home page at www.forbes.com/flint.

forest



Making more possible



ABN·AMRO

PRIVATE EQUITY

Too Close for Comfort

Wall Street got into big trouble pandering to tech firms a few years back. Is **REFCO** a sign it's repeating the mistakes with its private equity pals? By Neil Weinberg and Peter Lattman

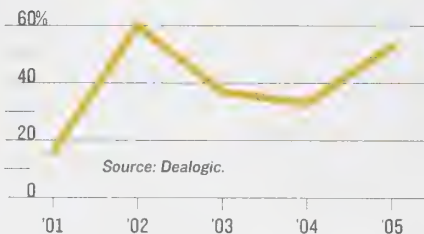
SINCE THE DAYS OF THE BUTTONWOOD TREE, MONEY HAS EQUALED CLOUT ON Wall Street. These days nobody's got as much of either as private equity firms. Outfits like Blackstone, Carlyle Group and Warburg Pincus are raising buy-out funds in the \$8-billion-to-\$10-billion range and acquiring whole companies by the truckload.

That spells riches for Wall Streeters who sell advice to private equity firms, line up their leverage and help them cash out via public and private sales. In the initial public offering market private equity firms generated more than \$4 billion in underwriting revenues for Wall Street between Jan. 1 and Oct. 14, according to Dealogic. Private equity accounted for 53% of the new-issue business, up from 16% in 2001.

One such offering involved Refco, the brokerage that recently imploded two months after going public. Its majority owner before the offering (and still the biggest shareholder at the time of Refco's collapse) was Thomas H. Lee Partners. By chance, it's also the biggest private equity sponsor of initial offerings so far this year, having generated \$197 million in revenues for investment banks. Credit Suisse First Boston,

Driving Wall Street

Private-equity-owned companies have accounted for 53% of public offerings so far this year, up from 16% in 2001.



Goldman Sachs and Bank of America, which led the Refco deal, have collected \$1.1 billion from private equity stock offerings this year.

Did all that money blind Wall Street to Refco's sins, as it once did to those of WorldCom and Enron? The brokerage firms declined comment.

One thing is sure: The brokers will eat up some of those private equity fees on lawyers. There has already been a flurry of suits over Refco. **F**

Cashing Out

Private equity firms are Wall Street's top source of public offering revenues this year.

BUYOUT FIRM	IPO REVENUE GENERATED (\$MIL)
1 Thomas H Lee Partners	\$197
2 Warburg Pincus	164
3 Kohlberg Kravis Roberts & Co	156
4 Texas Pacific Group	138
5 GTCR Golder Rauner LLC	128
6 First Reserve Corp	121
7 Blackstone Group	114
8 Kelso & Co	107
9 Goldman Sachs Capital Partners	101
10 Bain Capital	98
Top 10 total	1,313
PRIVATE EQUITY TOTAL	4,078

Source: Dealogic.

Cashing In

Wall Street has earned over \$4 billion helping private equity firms take their holdings public.

BANK	IPO REVENUE (\$MIL)
1 Credit Suisse First Boston	\$418
2 JPMorgan	413
3 Goldman Sachs	371
4 Citigroup	313
5 Banc of America	306
6 Lehman Brothers	267
7 Deutsche Bank	237
8 UBS	215
9 Merrill Lynch	213
10 Morgan Stanley	199
Top 10 total	2,952
WALL STREET TOTAL	4,078

Source: Dealogic.

Enemy of My Enemy

The Patriot Act's strange bedfellows By Matthew Swibel

PRIVACY ADVOCATES AND CIVIL liberties purists have knocked the Patriot Act since its hastily arranged passage following Sept. 11. Now they're sharing that bed with the largest and most powerful business lobbies.

President Bush wants to extend the law, intended to aid in gathering intelligence on terrorists, without any changes. But West Wing pals like the National Association of Manufacturers, the U.S. Chamber of Commerce, doctors and Re-

altors are lobbying Congress for a different version. "There's broad enough interest to bring together groups with very little overlapping membership," says Stephanie Martz of the National Association of Criminal Defense Lawyers.



The law allows FBI agents to demand that businesses turn over records "for an authorized investigation." Neither the company nor its customers have to be suspected of criminal activity, much less terrorism. The FBI can also seek telephone, e-mail and financial records when an agent produces an urgent-sounding "national security letter." Business wants the right to challenge these requests before a judge.

The American Civil Liberties Union speculates there have been "hundreds" of FBI requests to businesses for records. Secrecy rules bar firms from disclosing even the cost of compliance, but data demands such as e-mail reviews can cost a large firm \$15 million, excluding legal bills, says Martz. **F**

SONY®

SHAREHOLDERS MANAGED.
VACATION SALVAGED.



Sony recommends
Windows® XP Professional.

WIRELESS BEYOND HOTSPOTS. AT LAST.

Now business and pleasure can co-exist peacefully with the new Sony® VAIO® TX. Its integrated wireless Wide Area Network (WAN) technology* lets you connect without hotspots—virtually anywhere the Cingular Wireless national EDGE network is available. Razor thin and light with a long-running battery,** it's an investment your shareholders would approve of. 877-454-7669 sony.com/vaio-tx2

 **cingular**
raising the bar.™



VAIO

like.no.other™

*Available in select models. Subscription with Cingular Wireless required. See www.sonymstyle.com/cingular for complete offer details, price plans, service terms and conditions and coverage map. Call 1-888-739-VAIO (8246) for service activation. **Actual battery life may vary upon usage patterns. †Non-metric weights and measures are approximate. © 2005 Sony Electronics Inc. Reproduction in whole or in part without written permission is prohibited. All rights reserved. Sony and VAIO are registered trademarks of Sony. Windows is a registered trademark of Microsoft Corporation. Cingular Wireless is a registered trademark of Cingular Wireless LLC 2005.

LONG DISTANCE

Phony Tax

Courts say a 3% toll tax is being wrongly collected. The IRS says, sue us | By Janet Novack

SINCE EARLY 2004 SEVEN FEDERAL district court judges and one appeals panel have ruled that the Internal Revenue Service has wrongly collected a 3% federal tax on "toll telephone service," and awarded large refunds. So has the IRS backed off? Don't be silly. The IRS says, in effect, if you don't like it, sue us.

This is a tax that refuses to die. It was first passed in 1898 as a luxury tax to fund the Spanish-American War. Antitax pols consider it an anachronism, and in 2000 Congress passed a bill to kill it and the \$6.5 billion a year it now raises. But President Clinton vetoed the bill.

Now, fed-up companies are suing—and winning 100% refunds. In October a district judge awarded Hewlett-Packard a \$6.2 million refund, plus interest. Earlier,

Honeywell, AOL, OfficeMax, Fortis, Reese Brothers and Amtrak won smaller amounts. More big companies—including Wal-Mart, Home Depot, JPMorgan Chase, PNC Bank, MBNA, United Technologies and Eaton—have filed suit.

Over the past decade dozens of other big companies have quietly applied to the IRS and got about 35% of their tax back, reports lawyer Jacob Miles of Kelley Drye & Warren. No matter, the IRS still insists that telecom providers collect the tax, and it is appealing, or is expected to appeal, all seven district court losses.



The government's main argument goes like this: "Toll telephone service" is defined in the law as service billed by distance and time. That seems to exempt long-distance service that is charged at a flat rate per minute, as most is these days. But the IRS says the "and" in the 1965 rewrite of the statute can be read as an "or," which renders the law ambiguous, thus requiring a judge to discern Congress' intent, which was to tax long-distance calls.

As for consumers and small businesses, good luck. "Obviously, mom and pop with their \$17 claim aren't going to go through litigation," says Stephen Rosen of Levine, Blaszak, Block & Boothby, which has brought multiple telecom tax refund suits. And class actions against the IRS aren't allowed under federal law.

DRUG VIGILANTES

The Food & Drug Administration is supposed to ensure the safety of drugs, but since the Vioxx mess researchers have taken the job into their own hands. They are pooling publicly available data about a drug and issuing reports. Drawing conclusions from such studies is statistically risky, but they have sounded the alarm on several potentially worrisome drugs.

The latest is Pargluva, an experimental diabetes drug from Bristol-Myers Squibb and Merck that was designed

to decrease risk factors for heart attacks. On Sept. 9 a panel of FDA advisers voted 8 to 1 that the drug should be approved. The FDA delayed a decision. In late October two of the Cleveland Clinic researchers who warned about Vioxx published a paper arguing that Pargluva doubles the risk of heart attacks, strokes and death. It's unlikely the drug will get approval. Bristol-Myers and Merck say their analyses did not show a problem. Other drugs found wanting by researchers: —Matthew Herper

DRUG/MAKER	CONDITION	POTENTIAL RISK	RESEARCHERS	DRUG STATUS
 BEXTRA /Pfizer	Arthritis pain	Increased risk of heart attack, stroke	Garret FitzGerald, University of Pennsylvania; Curt Furberg, Wake Forest University	Pulled from market in April 2005
 NATRECOR /Johnson & Johnson	Heart failure	Risk of kidney damage; increased mortality	Jonathan Sackner-Bernstein, a New York cardiologist, and Keith Aaronson, University of Michigan	Sales slumped; J&J has pledged to educate doctors about the drug's risks and do a big clinical trial
 PAXIL, ZOLOFT, OTHER ANTIDEPRESSANTS /GlaxoSmithKline, Pfizer, others	Depression	Increased risk of suicide or suicidal thoughts	David Healy, Cardiff University; others	Drug labels now include warnings for children; companies dispute findings
 VIOXX /Merck	Arthritis pain	Increased risk of heart attack, stroke	Steven Nissen and Eric Topol of the Cleveland Clinic	Pulled from market in September 2004

Sources: Journal of the American Medical Association; Circulation; Journal of Psychiatry & Neuroscience; company statements; Forbes.

*In this ever-changing world,
Singapore Airlines, you're a great way to fly.*



SINGAPORE
AIRLINES



Best
Fly
A380

SINGAPORE • TAIPEI • HONG KONG • TOKYO • SEOUL • FRANKFURT • AND OVER 35 MAJOR CITIES

singaporeair.com/usa

Holy Cybersuit!

Online fantasy worlds are attracting a new type of player: lawyers | By Daniel Fisher

HOW ROUGH IS THE online game world? Earlier this year a Chi-

nese student in Japan was arrested for using a network of remote-controlled computers to steal virtual items in an online game called Lineage II and sell them to other players. And in Shanghai a man was sentenced to life in prison in June after killing a fellow player who had borrowed his "dragon sabre" in the game Legends of Mir 3 and sold it for the equivalent of \$870.

The unreal world of Internet role-playing games is spawning tricky legal issues in the real world. What is a real crime—and what's merely virtual? For the players a lot of ego is at stake; they compete with millions of other gamers in contests to vanquish enemies and accumulate virtual cash and goods. They pay \$40 or so for a game disc plus \$15 a month or more in fees.

To get an edge many players turn to auction sites like Ebay to buy virtual weapons and such to insert into their game. That market exceeds \$100 million a year in real cash, according to Indiana University

gaming expert Edward Castronova. But do players have the right to sell magic swords to others for money? And is stealing a virtual item really theft?

West Virginia entrepreneur Robert Kiblinger has a thriving business selling castles, characters and other items accumulated by players on games like Ultima Online. Customers pay as much as \$1,500 in cash for a castle—the equivalent of a hotel on Boardwalk in Monopoly—and swap virtual currency like George Soros swaps the real stuff.

Kiblinger says he has repeatedly gotten threatening letters from the Entertainment Software Association suggesting he is selling goods he doesn't own. The trade group declined to comment, but Kiblinger asserts his customers have as much right to their imaginary castles as the company that created them does.

"If it took a player five years to get his hands on a castle, that's a lot of time devoted to the game," Kiblinger says. "Either way, their time or their money got them that castle."

What about people who buy fake imaginary goods? Electronic Arts faced a cur-

rency crisis last year when hackers figured out how to make unlimited amounts of "gold" used to buy items on Ultima Online. Electronic Arts booted the hackers off the game and erased the ersatz gold. Nobody sued, but many experts expect litigation to erupt eventually over such cyberswindles.

"If you steal the tools from my garage or if you steal my Sword of the Dragon Slayer and sell it on Ebay for \$2,500, it's still theft," says Gregory Boyd, a onetime gamer who advises companies like Electronic Arts and Sony at law firm Kenyon & Kenyon in New York.

Other companies worry about losing valuable intellectual property rights if they don't clamp down on players. Last year comic book publisher Marvel Entertainment sued NCSoft Corp., the Korean distributor of online game City of Heroes, for copyright infringement in federal court in California (NCSoft denies the charge). Marvel is claiming that NCSoft is allowing players to create look-alike characters of Marvel superheroes such as Spider-Man and the Incredible Hulk. Marvel has good reason to worry. It's released a superhero-themed game of its own.

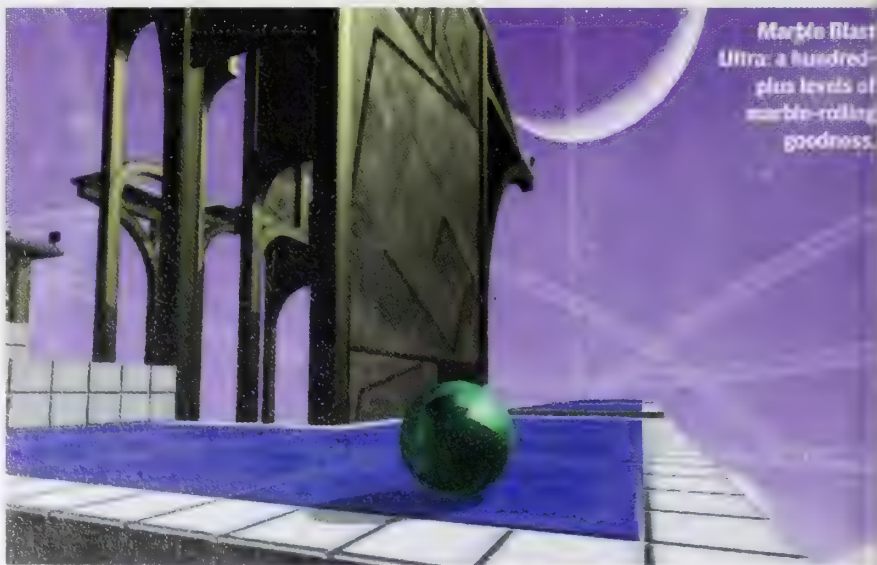
VIDEOGAMES

Sundance On The Xbox

Small game developers have an unlikely ally in Microsoft.

By Victoria Murphy Barret

STEVE TAYLOR SPENT THREE YEARS doing grunt work for videogame companies, designing levels within games and doing minor graphics work. He'd been having only modest success selling copies of his self-published PC game, Outpost Kaloki, in which the player be-



Marble Blast Ultra: a hundred-plus levels of marble-rolling goodness.



Who is helping to improve the quality of patient care and safety
in hospitals throughout the nation?

We are.

We're Siemens, a global innovation company helping the needs of businesses and communities right here in the U.S. One of our specialties is providing US hospitals with the tools to improve patient care, while helping to lower costs thanks to our "digital hospital" solutions. We're working with numerous healthcare providers to build health networks that connect telemedicine, CT, medical systems and building technologies in ways never before accomplished. This means less waste, decreased costs and enhanced care for patients. But unless you're one of the 70,000 Americans that we currently employ, you may not know us. We're Siemens.

SIEMENS

Global network of innovation



Mutant Storm Reloaded: another winner of a coveted position on the Xbox Live Arcade.

comes a space station manager in a 3-D cartoon world. In 2004 Taylor tried shopping it around for play on a console like the Microsoft Xbox or Sony PlayStation 2, but no publisher wanted to risk a flop. The cost to make and market a \$50 console title ranges from \$5 million to \$20 million or more. This is why seven of the top-ten-selling titles are sequels to earlier hits. "They loved the game but weren't willing to take the risk," says Taylor.

Then Microsoft's Gregory Canessa stepped in. Canessa, a group manager at the Xbox division, said he'd take the game, which would sell for around \$10, and he suggested that Taylor spend less than \$150,000 to produce it. "It sounds strange, but Microsoft was the answer to a dream," says Taylor.

Microsoft is prepping a massive launch in November for its new Xbox 360 console, which promises to blow away the old Xbox and Sony's PlayStation 2 with high-def graphics. There will be 15 to 20 titles available on launch day, each of them costing over \$5 million to produce.

But then there will be games like Outpost Kaloki, one of a dozen bargain titles on Xbox Live Arcade, an onscreen dashboard that appears when players fire up their consoles. Internet-connected Xbox owners can try Arcade games and download them for \$5 to \$10. Instead of gore and guns, the Arcade is filled with quirky fun: Marble Blast Ultra, Bankshot Billiards 2, Mutant Storm Reloaded and

nods to the old-school Pong crowd with Joust and the Tetris-like Hexic HD.

Canessa says he can get just as much creativity from hungry, smart designers on low budgets and can reach infrequent players like dads, antiviolence moms and younger kids. "We want to create the Sundance festival for game developers," says Canessa, who came up with the idea for Arcade two years ago.

An earlier version of Arcade stumbled because it required installing software and paying \$50 a year to subscribe to the online Xbox Live service. This time Arcade is inside every Xbox, costing you only the price of each game. You pay the annual \$50 fee only if you want to go up against friends around the country.

Microsoft may sell 2 million boxes by January, says Pacific Crest Securities analyst Evan S. Wilson. And Canessa says he'll share more than half of each game's revenue with Arcade developers, a far better cut than they'd get from a publisher. Xbox Arcade is getting a dozen submissions for new titles weekly. The company has a database of more than 300 developers, including "indies."

Microsoft thinks making nice with developers will help it sell more Xboxes. Rival Sony has yet to announce anything like Arcade for its PlayStation 3, due out in 2006. Xbox Chief Robbie J. Bach has promised to take his division from losses to profits. "This is not going to be a loss leader," says Canessa.

WHO LOVES YA, CHINA

While business has been rushing to China, Washington has been bullying it. Politicians pressured the world's biggest rising economic power to revalue its currency, killed CNooc's offer to buy America's Unocal and even kept the dented Maytag brand from falling into Chinese hands. Why? Blame congressional staffers. The Committee of 100, a nonprofit group representing Chinese-Americans, found an alarming gap between the views of business leaders and congressional staff when it comes to China. Legislative aides "are bombarded by special interest groups, and they tend to be more negative toward China than positive," says Carolyn Chin, chief executive of Cebiz and a director of the Committee of 100. Below, some findings. —*Robyn Meredith*

BUSINESS LEADERS CONGRESSIONAL STAFF

Hold a favorable impression of China



Agree that low-priced Chinese goods benefit U.S. consumers



Believe China is no longer truly Communist



Say trade with China benefits U.S.



Say China's access to U.S. markets should be linked to its human rights record



Source: Committee of 100.

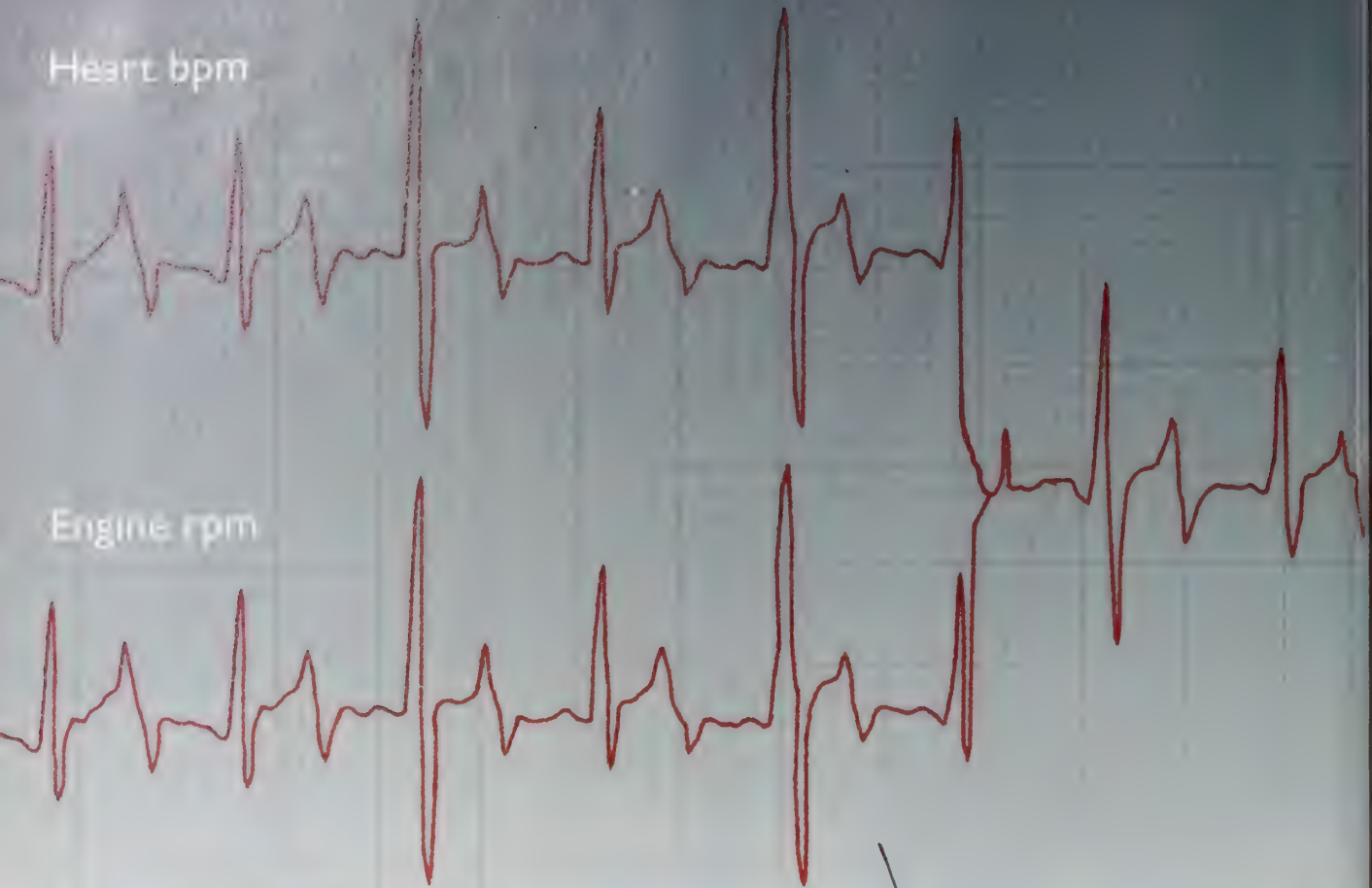
LOOK BEHIND YOU. THAT'S THE PECKING ORDER.



Once Upon A Dream
A Chateau
BELLAGIO
LAS VEGAS

Embrace extravagance at Las Vegas' best and only AAA Five Diamond resort casino • 866-968-7111 • bellagio.com

Heart bpm



Engine rpm



All-New MX-5 Miata. Once again, Mazda has reinvented the sports car. You see it in every texture, stitch and sweep. You feel it in every shift, straightened and rebuilt from the ground up. Every component is engineered to keep you almost telepathic. Only Mazda could have delivered this seamless expression of

10

20

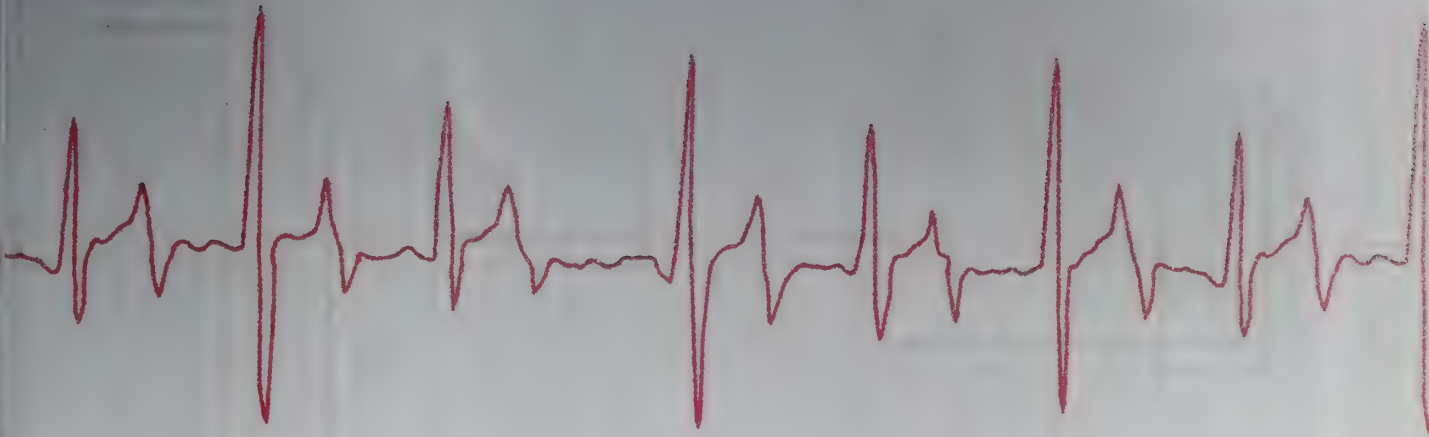
30

40

50

60

70



Don't just drive the car. Be the car.



zoom-zoom

It sets a whole new standard for the true sports car experience. The all-new MX-5 Miata is completely firing on all cylinders. To deliver a unique oneness—a connection of car and driver so immediate, it's on. It's a mindset. It's an obsession. And once again, it's become a sports car. be.the.car.com



mazda
MazdaUSA.com

IPOD NANO \$250

Next Year's Model

In the digital age it's survival of the fleetest. The iPod embraces this contest with a vengeance.

By Dennis Kneale

MY SHINY NEW IPOD NANO IS AS SLEEK AND sexy as a little black dress. It packs a startling amount of sound and a thousand songs into a case so slight you forget it's there, thumping away at the end of a snarl of thin, white wire and Milk Dud earplugs. For me, it was love at first hype.

But this is a fickle attraction. Each time Apple issues a new model, the one in your pocket suddenly looks dumber, older, conjuring up a gadget geek's most dreaded feeling: I'm so dated. And in the handheld world we are what we reap—we pick products for how they make us feel about ourselves. On a recent subway ride to work, as my iPod Shuffle (150 songs) on a lanyard around my neck played a random set, I looked up and got a jolt of envy and shame: There was the new Nano, tiny and gleaming—and playing in the hands of another rider. Days later my Nano upgrade was complete, my Shuffle shelved and my envy replaced with pity for those with the iPods of old.

Apple has sold more than 30 million iPods in 17 models since the first one hit four years ago. It took two years to unveil the first six iPod entries; the latest eight came out in less than eight months. Apple has thus set a world speed record for innovation, product cannibalization and self-inflicted obsolescence, waging an unrelenting assault on itself in pursuit of the Next New Thing.

The Nano debuted on Sept. 7 to lots of hoopla, a blitz of iconic TV spots and the raves of iPod fans. At \$250 it has 4 gigabytes of storage, a color screen and a housing that, at 1.5 cubic inches and 1.5 ounces, is only 20% the size of the original.

Nano wipes out Mini, launched 22 months ago.

Just 35 days later Apple unromantically upstaged my little beauty by unwrapping the latest iPod (\$400 for 60 gigs, a twelvefold storage increase in four years at no extra cost) and wowing the world with its ability to play video. This jump, though, may leave me behind yet again, despite my iPod addiction (having owned or given away eight). In television the bigger the screen, the better. Instead I will content myself with the Nano, turning my older 40-gig iPod into the centerpiece of my home stereo and deploying the Nano as an ever-present sound track for street life.

When the rapper 50 Cent revs up the syncopated, sitar-laced strains of "Just a Lil Bit," the lil' Nano soars. And when he unleashes the pulsating beat of "Outta Control" ("I did my thang in the club. Every chance I get, I tear it up. Dance floor jam-packed, I got 'em goin' goin' outta control"), the Nano makes me feel like I'm right there with him, young again and hangin' out. It's rather thrilling.





PHOTOGRAPHS BY MASSIMO GAMMACURTA FOR FORBES.

HIGHLANDER HYBRID \$33,030



DRIVING, TO ME, IS A COMPETITIVE SPORT: BEAT THAT BMW, make it through the yellow light, snag the parking space. Even after two kids, a fistful of speeding tickets and plenty of white-lipped looks from my husband, I admit it: I like to drive fast.

But two months behind the wheel of our new Toyota Highlander hybrid have tamed this wanton speeding habit. My new game: Beat the gas engine.

We bought the Highlander for its fuel efficiency, supposedly 33 miles per gallon in cities, 28 on the highway. It has a regular V-6 but supports it with an electric motor run by a battery that recharges when you brake or coast. You mostly notice the electric engine, what Toyota calls its Hybrid Synergy Drive, when you turn the key. It's quieter than a golf cart.

The Highlander hybrid comes with a new gauge called the Energy Monitor. It tells me when the car is running on battery, when the battery is recharging and when the gas engine kicks in. You can also flip to a display that reports, moment by moment, your miles per gallon.

So forget about watching the road—I'm watching my energy monitor. When I pull onto the main street of our town, I putter along at 25 miles an hour—but hey, for a moment I'm getting 60 miles to the gallon! When I stomp on the pedal, my speed spikes, but to my utter dismay my gas mileage plummets. Should I make that yellow light a couple of blocks ahead? Nah, I'm gliding on electric. Look at that energy monitor fly!

So far, after finishing a few dozen tanks of gas, I'm getting only 24mpg, with a peak of 27, far short of what Toyota claims. Even with gas at \$3 a gallon, it will take almost six years before we compensate for the hybrid's \$33,030 list price. (The normal V-6 Highlander lists for \$30,460.)

But even 27mpg is a big improvement over the conventional gas-guzzling Highlander (19mpg city; 25mpg highway). Fellow hybrideers say progress just takes time: If I keep my tire pressure high and practice the Zen art of accelerating and braking more smoothly, my scores will improve. I'm game to try.

—Elizabeth Corcoran

IWC. Engineered for men.



IWC
SCHAFFHAUSEN
SINCE 1868

He'll have to wait.

Spitfire Chronograph Automatic. Ref. 3706: In 1868, watchmaker F. A. Jones founded the International Watch Company in Schaffhausen. Since then, our engineers have developed many of today's legendary timepieces – the Portuguese family, the Ingenieur, the Da Vinci and the Aquatimer series. It's good to know that our watches aren't just packed with technical advances. But also with the passion of our engineers.

*Mechanical chronograph movement |
Self-winding | Soft-iron inner
case (figure) | Convex sapphire glass,
secured against displacement by
drop in air pressure | Water-resistant
to 60 m | Stainless steel*



SIRIUS S50 \$360

I'M SICK OF THE SONGS ON MY IPOD, EVEN MY Glenn Gould and Johnny Cash albums. But it would be absurd to refill my 10-gigabyte iPod at the iTunes Music Store, as it would cost me \$2,000, not to mention hours spent figuring out what's worth owning. Better idea: Pay \$5 to \$10 a month for a subscription service from Yahoo, Rhapsody or Napster that recommends music and loads up my player for far less, as long as I keep paying for the service.

Best idea: Give the iPod away and get Sirius Satellite Radio's slick new S50 for \$360. For \$13 a month I get sports, talk and news, plus 65 commercial-free music stations programmed by people way more knowledgeable about music than I am. Like my new sensei, Steven Van Zandt. The snarling Silvio from *The Sopranos* unleashes deliciously dirty rock at Underground Garage, channel 25 on the Sirius dial. Who knew I'd love the Raveonettes, Kenne Highland & His Vatican Sex Kittens, and the Chocolate Watchband?

The S50 can't pick up a signal on its own; it depends on the included car cradle or a \$99 home docking kit. But it's not a big hassle to set it up to grab music from your favorite channels while you drive or cook dinner. The S50 stores 50 hours of Sirius programming, less if you toss in your own MP3s to make a hybrid playlist. If you're desperate for walkabout live listening, try the bulkier Satellite Radio portables from Tao and Pioneer. They can pick up a live ballgame from space, but, since the human body interferes with satellite signals, they all too often drop out in the middle of a base hit or song.

More than 7 million people now subscribe to satellite radio. Maybe they're Pod-fatigued, too. I'll gladly pay to have Little Steven tell me what to listen to.

—Bruce Upbin



Guaranteed income gives you options

The freedom to do more in retirement

What would you do?

Maybe you'd travel. Perhaps start a new business. Definitely see more of the people who mean the most to you. And it all starts with knowing that your annuity from Prudential and American Skandia can help protect your retirement income—and provide income guaranteed for the life of your retirement. It feels good just thinking about it, doesn't it?



More than 30,000 independent financial planners, stockbrokers, bank investment representatives and Prudential financial professionals offer Prudential/American Skandia annuities. Ask your financial professional if an annuity is right for you.



Prudential Financial

Growing and Protecting Your Wealth

10/2005. The Prudential Insurance Company of America, Newark, NJ, and American Skandia Life Assurance Corporation, Shelton, CT. Annuities contain exclusions, limitations, reductions of benefits, and terms for keeping them in force. Your licensed financial professional can provide costs and complete details. Guarantees are dependent on the claims-paying ability of the issuing company. Go to www.ameriskandia.prudential.com.



Snow blankets the road.
Intelligent AWD adapts.
Ice freezes the asphalt.
Intelligent AWD adapts.
Rain forms puddles.
Intelligent AWD adapts.
An ice storm blows in.
Intelligent AWD adapts.
Drizzle becomes a deluge.
Intelligent AWD adapts.
Sleet turns the road slick.
Intelligent AWD adapts.



Summer arrives:
Intelligent all-wheel drive
instantly adapts
to deliver rear-wheel-drive
performance.



...designed it that way because rear-wheel drive delivers the exhilarating performance,
...anced handling and decisive steering feedback that you expect from a true performance
...omobile. Make the most of all seasons in the M, FX or G35. Visit infiniti.com.



INFINITI

MOTOROLA HIGH-DEF DVR



HBO'S HILARIOUS SERIES *Entourage* returned in June, but I forgot to tell my digital recorder to put it on the hard drive.

No problem: I have Motorola's DCT6412, which puts Comcast's On Demand service in the same box as a high-definition DVR.

Digital video recorders, popularized by TiVo, let me watch TV on my schedule and recapture valuable hours otherwise spent watching commercials. But every DVR I ever tried had some fatal flaw—until Comcast rented me this Moto box for \$10 a month. That's less than TiVo charges for its service, and Comcast doesn't make you buy the equipment.

Unlike most rival boxes, this one has two high-definition tuners inside, so you can watch one show while recording another or record two at once. Until HD disks arrive, it's the best way to have a high-def library at your disposal.

By combining DVR and cable receiver in one unit, Motorola got rid of the need for a kludgy infrared blaster to coordinate two boxes. Though storage is less than bounteous (15 hours of high-def shows or 60 hours of standard), integration gives me direct access to a far bigger set of hard drives: the ones back at Comcast facilities where On Demand programs are stored. For HBO shows like *Curb Your Enthusiasm*, I don't bother filling up the local disk. As long as the series or movie is running, it's available anytime, complete with rudimentary fast-forward and reverse. Comcast also offers some 250 free movies on demand, along with cable shows and even recent local news. Pay-per-view films typically go for \$4.

This Moto jukebox offers a glimpse of how TV will work when shows will live on the Net and you'll watch them whenever you want. For now it's a great way to bend TV to my schedule—and my will.

—Stephen Manes



I called the office
after I sent the e-mails
AND
I shrieked as we ran
to the end of the pier,
in a mad rush to do
nothing at all.

Who says you can't have both work AND life? Get the new BlackBerry 7105t™ from T-Mobile, now with the easiest way to use Yahoo!® Mail. Plus, you get unlimited BlackBerry® service with e-mail, instant messaging, Web browsing, and the most *WHENEVER* Minutes®. All this, for as little as \$59.99 per month on the world's largest all-GSM network. A small price to pay for something that could change your life.

Find out more at www.t-mobile.com or call 1.800.TMOBILE.



T-Mobile®

Get more from life®

BlackBerry

"Highest In Customer Satisfaction With Business Wireless Service"



RS 140 WIRELESS HEADPHONES \$220



MY WIFE WAS ABOUT TO HAVE TWINS. I wanted a way to watch TV without disturbing the little angels. The Sennheisers offered a simple solution: Connect the TV's audio output into the base unit and it beams the sound wirelessly to the headphones. I was happy enough to discover that the setup worked as advertised, sending a signal up to 328 feet away that is free of static and interference.

Then I switched to a movie, and these sleek German headphones blew my mind. Big rumbling sound effects on sci-fi flicks were deep and full. Tiny details like footsteps and rustling leaves came alive. Soundtrack scores were lush. Here was what the filmmakers had intended us to hear.

Not only did the Sennheisers provide a better experience than listening through the chintzy speakers in our TV set, but also they beat our stereo amplifier and a pair of floor speakers. This was stunning but a bit depressing, since these headphones cost only \$220, a fraction of what we spent on our stereo.

Then again, Sennheiser is famous for great sound. Founded in 1945 by Fritz Sennheiser, the Wedemark, Germany company has been making audiophile headphones since 1968. The wireless model RS 140, introduced this year, is manufactured in China but boasts clever German design touches such as a stand that doubles as a recharging cradle and electronics that enhance the intelligibility of speech by boosting soft passages and decreasing loud ones. Controls for power, volume, balance and radio tuning are built into the back of the headphones, so you can make adjustments without leaving the couch or even lifting a remote.

Aliens hunt predators, zombies claw their way out of mucky graves, and Bill O'Reilly berates his guests. Upstairs, my slumbering babies hear not a peep.

—Daniel Lyons



Make every stroke count.

Philips Norelco SmartTouch-XL. Three does more than one. In rowing.
In shaving. The SmartTouch XL has three shaving rings in each of the three shaving
heads, not one. So it's designed to shave more with every stroke. And it actually
sticks to stay on your face and neck, catching even tricky hairs. Make your mornings
efficient. Make every stroke count.

Join us on our journey at www.philips.com/simplicity

NORELCO

PHILIPS

sense and simplicity

SONY PSP \$250

I'VE GOT THE MAKINGS OF A PRODUCT LIABILITY case against Sony. These bags under my eyes are from staying up until 2:30 a.m. every night last week trying to beat a young Arnold Palmer on Tiger Woods PGA Tour. The return of my tennis elbow is from gripping the PSP over the weekend playing a losing "season" as the New York Giants. The tightness in my finger joints is from jamming down the accelerator button during my lunch hour in pursuit of lawless drivers in Burnout Legends.

Sony has sold 2.3 million PSPs in North America since it debuted here in March 2005. I've only had mine for a month and a half, but I'm already predicting mass physical therapy reimbursements claims. No one was meant to stare at and hold something this small for so long. But you

can't help it. The PSP is crack for screen freaks like me. Games and movies on its 4.5-inch screen are so immersive it's like having a plasma set in your hands. (I watched *Saw* on it one night in bed, in the dark. Not advisable.) Like an older brother of the iPod, it can store tunes, photos and home movies—assuming you pay another \$100 for a roomier 1-gigabyte Memory Stick, and you should.

Unlike the iPod, the PSP has Wi-Fi built in to play against friends with PSPs or surf the Web, though the browser isn't easy to use. By the holidays Sony will have 60 games and 200 movies available. There's a growing ecosystem of goofy blogs and Japanese anime buffs offering free graphic novels and hacked films, too. Just remember to look up every now and then, and stretch.

—Bruce Upbin



Without Ambilight.

With Ambilight.



You'll never go back to ordinary TV.

Philips Flat TV with Ambilight. It only makes sense to get the most out of your television, so you'll never want to turn off the world's first and only Ambilight feature. Analyzing the incoming TV signals, the Ambilight system projects a background color on your room and your eyes with the dominant color on your TV screen. High-Definition Flat TV with Ambilight from Philips – the next step in the evolution of television.

Join us on our journey at www.philips.com/simplicity



PHILIPS

sense and simplicity

THINKPAD Z60T \$1,979

WITH ITS TITANIUM EXTERIOR, MAGNESIUM roll cage, dual Wi-Fi antennas, fingerprint scanner and remote self-destruct option, the new Lenovo ThinkPad Z60T is reminiscent of something James Bond's spy outfitter, Q, might whip up for 007.

But I think the geniuses at Lenovo (successor to IBM) had dorks like me in mind when they designed this laptop. When it comes to electronics, I'm a bit of a spaz. A handful of years ago I annihilated my iBook when I tried to install new printer software. I left its replacement in the trunk of a cab and never saw it again. Recently I drowned a stereo speaker when I overwatered the plant that sat next to it.

So I decided to put this new ThinkPad to the test. A couple of days ago I was carrying it from my IT guy's office and accidentally dropped it. (Okay, I dropped it intentionally.) The screen went blank and the battery fell out, but when I restarted, it restored everything to the way it was. The roll cage really works!

A couple of days later I toted my ThinkPad to Starbucks. A stiff caramel cappuccino started my right knee bouncing the laptop up and down. ThinkPad was still looking out for me. Its "air bag" sensed the jiggling and paused the hard drive.

On Monday I poured some water on its supposedly water-resistant keypad. After it drained out I restarted; it hummed to life. But then, minutes later, the screen went blank—a dark moment. After two days of drying, it came back again! Still unsatisfied, I took a ride on my IT guy's motorcycle, right over the top of the ThinkPad, twice. Amazingly, the cover was unblemished and the laptop booted fine. However, the screen is now an impressive mess of rainbow-color lines and fissures. Too much ThinkPad love.

—Erika Brown



Are you missing out on some of the biggest news in mutual funds?



120 funds. Over \$100 billion in assets.* Three decades of experience. Yet we're still one of the best-kept secrets in the investment world.

Finding the right investment for your portfolio doesn't have to be difficult. Just look to *Wells Fargo Advantage Funds*SM.

We offer a dynamic array of investment solutions to meet almost any need. From stock to fixed income to money market to asset allocation, each of our funds is unique with the exception of one shared quality — the focused guidance of an independent money manager we consider among the best at what they do. It's this leadership style that helps set us apart.

At *Wells Fargo Advantage Funds*, we search for managers from across the investment industry, looking for leaders with highly specialized expertise in their fields. Then we give them the freedom to thrive. The result is a family of funds with managers dedicated to a specific investment style and the pursuit of consistent, long-term results. It's an approach guided by the distinguished 150-year heritage of Wells Fargo.

To learn more about *Wells Fargo Advantage Funds*, visit www.wellsfargo.com/advantagefunds or talk to your investment professional. You'll discover that the right investment for your portfolio is actually quite easy to find.

For more complete information about the *Wells Fargo Advantage Funds*, obtain a current prospectus by calling 1-800-222-8222, visiting www.wellsfargo.com/advantagefunds, or by contacting your investment professional. Consider the investment objectives, risks, charges, and expenses of the investment carefully before investing. This and other information about *Wells Fargo Advantage Funds* can be found in a current prospectus. Please read it carefully before investing.

6/30/05.

NOT FDIC-INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

Wells Fargo Funds Management, LLC, a wholly-owned subsidiary of Wells Fargo & Company, provides investment advisory and administrative services for the *Wells Fargo Advantage Funds*. Other affiliates of Wells Fargo & Company provide sub-advisory and other services for the Funds. The Funds are distributed by Wells Fargo Funds Distributor, LLC, Member NASD/SIPC, an affiliate of Wells Fargo & Company.

TIBOR EVERGLADES \$610

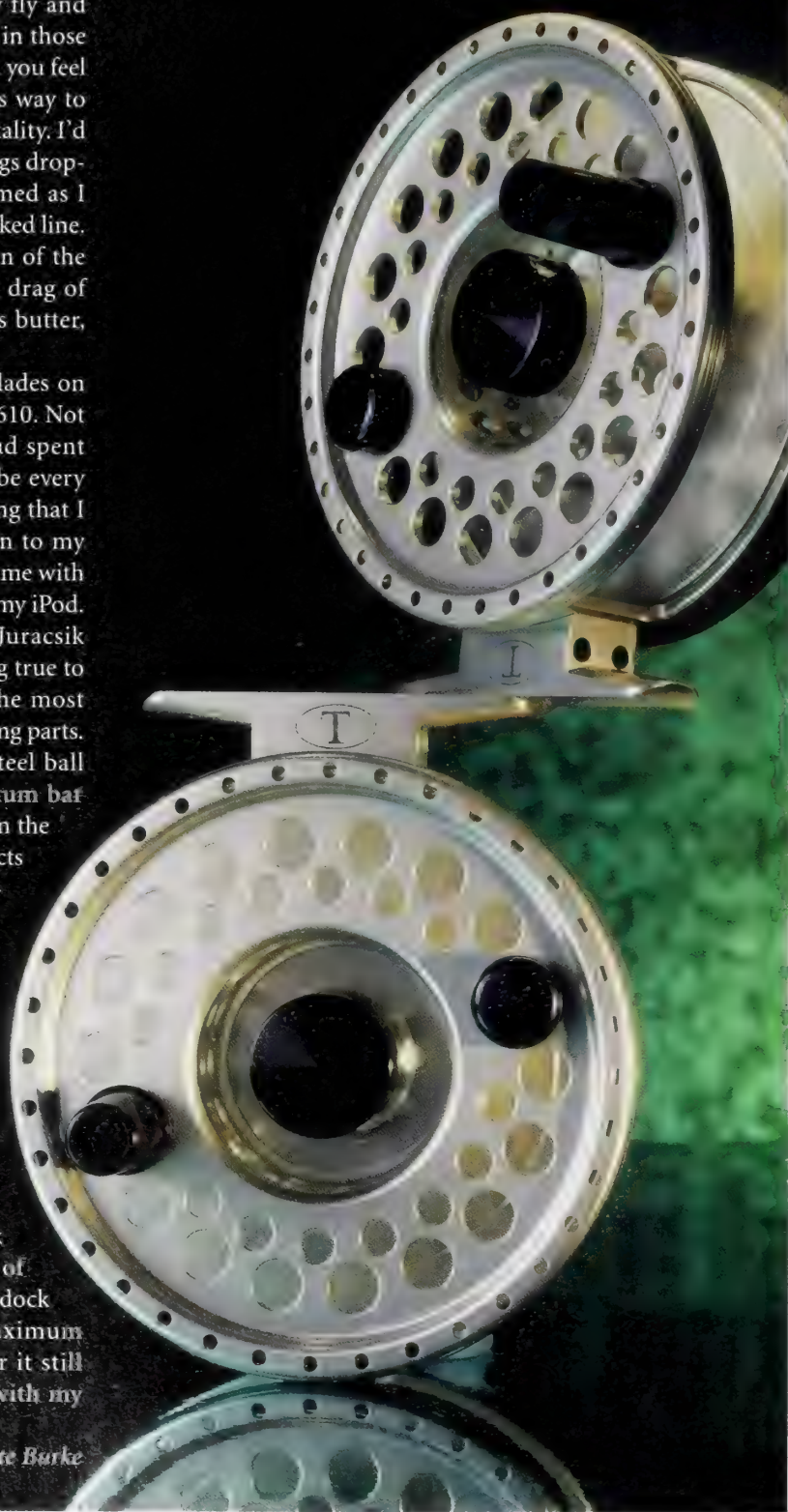
I WAS ON THE FORTEAU RIVER IN LABRADOR when an Atlantic salmon took my fly and turned tail. I'd lost a lot of big fish in those helter-skelter first few seconds when you feel like you've hooked the Acela on its way to Boston. Reels take the brunt of the brutality. I'd had some pop open, the pins and springs dropping into the water. Others have jammed as I helplessly watched the fish break the locked line. I've seen a reel smoke from the friction of the spinning spool. But not that day. The drag of my Tibor Everglades was as smooth as butter, helping me land that 20-pounder.

My uncle gave me my Tibor Everglades on my wedding day in 2001. It cost him \$610. Not the registered china my wife and I had spent months fussing over, but it's going to be every bit the family heirloom—and something that I actually use. I plan on passing it down to my daughter and expect that she'll do the same with her children. I won't be doing that with my iPod.

Hungarian-born reelmaker Ted Juracsik made the first Tibor reel in 1995, staying true to the credo of tool-and-die masters: The most beautiful machines have the fewest moving parts. Inside there are just three stainless-steel ball bearings, housed in anodized aluminum bar stock. And that smooth drag comes from the graphite-impregnated cork disc, which acts like a brake pad, slowing it down without locking. Innards are coated with corrosion-resistant ceramic. The reels come with a lifetime warranty and never need cleaning.

Juracsik, a Hungarian freedom fighter who escaped from the Soviets in 1957, decided to make reels after a notable saltwater fisherman complained bitterly about typical saltwater reels; they corroded easily and couldn't handle big fish. Juracsik decided to fix that. To prove the mettle of the Tibor Everglades, he nailed one to a dock on the ocean to expose it to the maximum amount of salt and sand. A year later it still worked fine. I would never do that with my Tibor, but it's nice to know I could.

—Monte Burke





Our blue-sky scenario: more U.S. jobs, leaner U.S. plants.

Since 1986, Toyota has been creating jobs in the U.S. Today, with our ten plants, sales and marketing operations, research and design facilities, and through our dealers and suppliers, Toyota's U.S. operations account for more than 386,000 jobs.* And with new state-of-the-art facilities built to strict environmental standards, we're continuing our commitment to responsible growth as an employer and a neighbor.

*Center for Automotive Research study. Includes jobs created through direct/dealer/supplier employee spending. ©2005

EYETOY CAMERA \$30

SONY'S EYETOY CAMERA MAY NOT CURE obesity, but it's one of the few electronic gizmos that absolutely requires getting up off your butt to use. Hook it up to your PlayStation 2 and you can try a flock of clever games that don't make you spend weeks mastering arcane rules. Forget about learning to deliver a high kick by pressing the circle and the triangle and the X on the controller. With EyeToy, you just use your foot.

That's because EyeToy makes you the controller. Set the camera on your TV and point it toward you. Motion-detection technology senses your arms, legs and other body parts and lets them interact with computer-generated elements on the screen.

The best place to start is still the original EyeToy: Play package, whose dazzlingly whimsical games induce both smiles and sweat. The new Play 2 isn't quite as consistent, but you have to like a goofy baseball game only Brits could produce and

a restaurant simulation that gives you the Sisyphean job of fast-food chef.

In the new EyeToy: Kinetic, two buff animated trainers get you moving through a training program. To give you a bigger field of action, Kinetic comes with a wide-angle-lens attachment. While the stand-up games are frenetic and challenging, the floor exercises aren't really interactive and feel like, well, floor exercises.

Most EyeToy games show your image on the screen as you interact with the computer-generated environments. But the most exhilarating may be EyeToy: AntiGrav, which swaps you for a computer-generated onscreen avatar on a futuristic flying skateboard. It's surprisingly responsive; when you extend your arms, jump or duck—and you have to—your avatar behaves just like you do.

Computer science conferences have been touting direct user interfaces for years. EyeToy scores by turning your movements into just plain fun.

—Stephen Manes



the largest and fastest
national wireless data network.
the largest U.S. provider on
global standard.

Our people and partners
make wireless work for
more businesses than any
other wireless carrier.



The broadest and deepest
portfolio of wireless
business solutions.

24/7 enterprise-grade support. And a service staff dedicated solely to business people.

With its 24/7 dedicated business service team, Cingular gave Corporate Express the support, training, and technology needed to migrate from a paper-based delivery system to a real-time wireless solution. From system installation and operation to employee training, the Cingular service team ensured a seamless



transition to the ALLOVER™ network, the largest digital voice and data network in America. For the leader in office supplies, Cingular increased driver productivity while reducing administrative costs.

INGULAR MAKES BUSINESS RUN BETTER



Find out how Cingular can make your business run better:

CALL your account representative -or- **CLICK** cingular.com/businessleader

network to other carriers; speed claims for their national data networks. All marks property of their respective owners. ©2005ingular Wireless. All rights reserved.

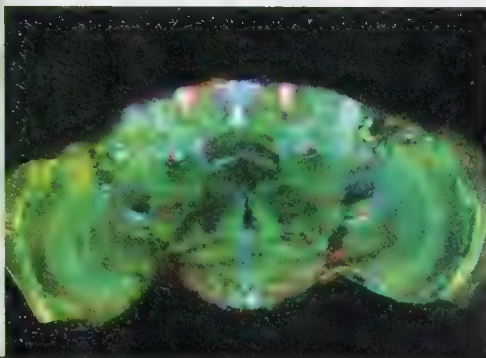


Mavericks

NEUROSCIENCE

The Mind's Cartographer

Researchers have given us an atlas of the brain. Molecular biologist Julie Simpson is drawing a street map | By Amanda Schupak



The brain of *Drosophila melanogaster*, the humble fruit fly, is organized a lot like the human brain. Molecular biologist Julie Simpson (below) studies fly brains (above) to trace the neural circuitry that guides their motor behavior. She has produced thousands of images that pinpoint activity to 100 neurons or fewer.



FOR SIX MINUTES JULIE H. SIMPSON SITS motionless on a laboratory stool, her eyes glued to a microscope. Holding a pair of finely pointed forceps in each hand, she delicately dissects the head of a fruit fly and lifts its brain onto a waiting slide. "On the weekends," she says, finally looking up from the scope's eyepiece, "the lights are on motion-sensor and they'll go out on me. I have to wave my arms to get them back on."

When the slide is finished, Simpson will have transferred the brains from four more *Drosophila melanogaster*, each a perfect genetic clone of the others, to the hole of a clear three-ring-binder reinforcement, the kind you find in a school-supply store. A swipe of clear nail polish fixes the brains in place.

This benchwork could consume the rest of Julie Simpson's life, and she's only 32 years old. Over the past four years she has collected and photographed 400 of these slides—"Gorgeous," Simpson mutters whenever she sees a good one—at a lab at the University of Wisconsin at Madison. Each photo shows the outline of a bulbous *Drosophila* brain, pocked with brilliant bits of green, blue and red fluorescence against a pitch-black background. Each spot of color is a place inside a fly's brain that controls a specific motor behavior such as walking, grooming and courtship.

With each slide, Simpson inches closer to one of science's more monumental goals: producing a functional brain map as precise as a street map—first of the fly, eventually of humans. With detailed knowledge of the brain's byways, neuroscientists will be able to understand how and where information is stored and thus pursue targeted treatments for epilepsy, paralysis, depression and attention deficit disorder.

Neuroscientists have labored to produce relatively crude maps of human brain regions, which can locate the origins of particular behaviors in swaths of thousands of neurons. In her short career Simpson has already begun locating motor-control neighborhoods of just 10 to 100 neurons in fruit flies. "There is no textbook," she says. "We didn't even know where these neurons were, and now we're seeing their outline."

There are maybe a dozen labs in the world mapping the neural circuitry of fruit flies. Some have chosen to focus on one area of brain function, such as olfaction or fear response. But Simpson has ambitiously

chosen to chart motor control, which encompasses a wide range of behaviors and poses many unanswered questions. How many neurons are used in walking or climbing? One of Simpson's emerging theories is that it may be only a precious few brain cells that keep a fly or a person from, say, forgetting how to walk. "We understand so little about how normal memory takes place," says Simpson. "If we knew that it was really only one or two synapses storing so much information we would have a better sense of how fragile things really are."

Drosophila makes an excellent proxy for human brain research. Maybe two-thirds of our DNA has an equivalent in its genome and, even though fly brains have only 200,000 neurons to our 100 billion, they're organized much like ours, with activities such as sensory processing assigned to distinct regions. Conveniently, the animals reproduce fast, racing from embryo to adult in 14 days.

Simpson's experiments depend on the use of genetically altered flies, but they also mix in some very low-tech techniques. She has produced 450 lines of *Drosophila*, each with a gene mutation that turns off production of a necessary protein at high temperatures. Heat them up and the flies behave abnormally, for example going into seizures or paralysis. When they cool off, they become themselves again. Simpson's favorites are ones that turn into sex addicts when the heat's on.

Attached to the mutated genes is a hunk of DNA that acts like a car's ignition, starting the mutant genes up with the right protein key. Simpson's key is GAL4, a gene and protein originally extracted from

slices a 3-D image. Wherever she sees GAL4 neurons glowing brightly in the scans is where the mutant gene in question being expressed.

Of particular interest to Simpson is the seizure gene because by locating seizure-inducing cells, she might be able to point toward which types of neurons cause epilepsy in human. Epilepsy is triggered in various parts of the brain, yet experts admit they're at a loss to pinpoint which zones are more influential. "If you overactivate the whole brain you'll get seizures," Simpson explains. "But can you do that to just a few neurons and trigger the same thing?"

Says W. Allen Hauser, professor of neurology at Columbia University: "Anything that would give you clues to things that would turn off seizures readily could be applicable for a lot of things. If you're able to turn off neuro circuits specifically for seizure, then maybe you can for depression or ADHD."

Simpson was hardwired to live the scientific life. Her father, a Columbia University geochemist, would take her mother (a nurse) and young Julie on long family car trips, pointing out rock formations and collecting bottles of water at every stop for chemical analysis when he got home. "I thought it was irritating at the time; now I wish I had paid more attention," she says. His work moved the family from a base in Nyack, N.Y. to Egypt, Italy and Australia.

After getting a degree in molecular biology from Princeton, she earned a doctorate from UC, Berkeley on the nervous system development of fruit flies. Her curiosity next took her to the lab of



These flies are mutants: In a hot test tube, they behave bizarrely.

"Half the people I speak to say, 'You're insane, it's too open-ended.'"

yeast. Each fly line was designed to produce GAL4 in a different group of neurons, causing the mutant genes to be expressed only in those areas. Because GAL4 also turns on a fluorescing protein in these neurons, Simpson can locate them when she takes brain scans.

To demonstrate, she heats a glass vial to 102 degrees Fahrenheit by submerging it in a bucket of hot water. She takes a rubber hose with a pipette on one end and a mouthpiece on the other and sucks 20 healthy looking flies from a small glass jar, then blows them into the heated vial. These happen to be so-called seizure-mutant flies. Within seconds of being exposed to heat, the flies are going bananas. "They look like popcorn in the vial," says Simpson.

When she removes them from the test tube, their motor-control protein kicks back into action and the flies go back to normal. Simpson then grabs any five flies from these genetic lines and scans their brains with a powerful confocal laser microscope that produces what are essentially optical salami slices of the fly brain. A software program builds out of these

renowned geneticist Barry Ganetzky at the University of Wisconsin at Madison, home to a large collection of temperature-sensitive mutant flies. Simpson arrived with the notion that she could use these flies to locate only those neurons essential for normal behaviors—the minimal circuitry, she calls it—to produce a precise functional map. When Simpson presents her research goals to colleagues, some are hopeful and eagerly supportive. "But half the people I speak to say, 'You're insane, it's too open-ended,'" Simpson says. "I think they are both right."

Next year Simpson is moving her crates of slides and 1,000 genetically modified fly lines to Janelia Farm, a \$500 million retreat in Ashburn, Va. for elite bioresearchers, part of the Howard Hughes Medical Institute. She was one of 5 chosen out of 300 applicants. "What attracted us was the bold nature of Julie's project," says Gerald Rubin, director at Janelia Farm. "We want people who are willing to risk their careers on their ideas."

Simpson's project may not see its end for decades, and she is not fazed by its scope. "I'm not going to get bored for a long time," she says.

IBM Workplace



IBM® WORKPLACE™ SERVICES EXPRESS PRESENTS

YOU -vs- THE LAWS OF TIME, SPACE AND DEADLINES

MID-SIZED BUSINESSES: COLLABORATE, BOOST EFFICIENCY, DO THE IMPOSSIBLE!

FEATURING: EASE-OF-USE ★ EASE-OF-INSTALLATION ★ EASE-OF-BUDGET
THE FLEXIBLE OPEN STANDARDS THAT FLATTEN OTHER RIP-AND-REPLACE SOLUTIONS

PLUS: A UNIFIED ROLE-BASED ENVIRONMENT
& INCREASED PRODUCTIVITY

IBM WORKPLACE SERVICES EXPRESS:
DESIGNED AND PRICED FOR
THE MID-MARKET

IT'S SIMPLY A BETTER WAY TO CONNECT PEOPLE WITH BUSINESS

IBM MIDDLEWARE. POWERFUL. PROVEN.

FIGHT BACK. SEE THE SPECIAL COLLABORATION DEMO AT WWW.IBM.COM/MIDDLEWARE/SIMPLIFY

IBM, the IBM logo and Workplace are registered trademarks or trademarks of International Business Machines Corporation in the United States and/or other countries. ©2005 IBM Corporation. All rights reserved.

SOME PEOPLE THINK ALL INSURANCE IS THE SAME.

They buy the least expensive they can find.

And then they have an insurance claim.

That's when they learn — the hard way —
that not all insurance companies treat you the same.

If being treated fairly and paid quickly are important to you
when you or your business has a loss, you want Chubb.

When you insure with Chubb, you're buying real insurance.

So, insure with the best. Insure with Chubb.

To learn more, go to chubb.com.

Relax. You're insured with Chubb.SM

< COMMERCIAL INSURANCE < SPECIALTY INSURANCE < PERSONAL INSURANCE



Chubb is one of the insurers of the Chubb Group of Insurance Companies. Actual coverage is subject to the language of the policies as issued.
Chubb Insurance Company of America, 60 West Wacker Drive, Chicago, IL 60601-3035. © 2005 Chubb & Son, a division of Federal Insurance Company.

W

ILLIAM BEAN, A RE-

arch director at Pepsi-Cola North America, is fascinated by vending machine use in mythical suburban office. There 35 sales, technology and administrative employees work, gossip—and quaff lots of soda.

These thirsty workers are characters in a simulated test market on Bean's desktop computer in Purchase, N.Y., and they are supposed to give Bean, a former sociologist, insight into soda consumption. The employees, or "agents," as they are called among computer-simulation experts, are programmed to act like office staffers and consumers. They are directed to move and interact in response to simple rules (drink when thirsty, for example) but with an element of chance injected. It's a toss-up whether an agent, confronted with a vending machine in an office lobby, will buy a soda.

SimCity for marketing managers. Thus does Pepsi aim to study how customers react and adapt when it changes the number and locations of vending machines in the office. It hopes to take some of the guesswork out of placing the machines.

"The rules are not deterministic," says Bean, referring to the fact that the course of events can take a different path every

SimMan: Videogame maker Kenneth Karakotsios uses simulations to shed light on consumers.



CONSUMER BEHAVIOR

Game Theory

Inspiration for the next Coca-Cola or Unilever marketing campaign might come from a computer game that looks an awful lot like The Sims | By Allison Fass

time the game is played. "The only way to figure out what happens is to allow the agents to behave in the same way a market behaves."

It is like a real test market, only faster and cheaper. Bean, working with marketing consultant ThinkVine of Cincinnati, learned through his agent-based model that putting a single vending machine in a place where people tend to gather can generate 15% more sales than putting multiple machines throughout an office based on the number of people there. Pepsi is now urging 120 bottlers in North America to reevaluate their vending programs, a move expected to bolster this profitable but slow-growing channel.

It's easy to understand why Pepsi and a lot of other marketers are excited about agent-based modeling. The analytical technique, which is like a videogame without controlling players, helps companies forecast consumers' individual and collective response to new product offerings, price changes, media buys or marketing pitches. It also tracks how the agents influence one another, a big selling point as marketers seek to understand and sway targeted groups of consumers by using specialized appeals, such as word-of-mouth campaigns.

"The model replicates the way consumers are making decisions," says Kenneth Karakotsios, head of DecisionPower, a company in Campbell, Calif. that peddles agent-based software.

Karakotsios claims that his software helped Coca-Cola successfully change its marketing strategy in Morocco last year. Concerned about a flurry of new competitors, the soda company used agent-based modeling software to plot sales for 18 soft drink brands, including Coke, Pepsi and some indigenous Moroccan offerings. It then incorporated dozens of brand and media preferences for 28,000 consumers, each representing 1,000 Moroccans, segmented by age, gender and social class.

Coca-Cola was inspired by this exer-

cise to boost its marketing budget for Fanta in Morocco by 40%. It shifted ads for Coke from TV to radio and billboards. And after learning simulated consumers would pay more for Hawaii and Pom's, two Coca-Cola brands sold in Morocco, the company increased prices by as much as 10%, says Othman El Ouazzani, knowledge and insight manager for Coca-Cola in North and West Africa.

DecisionPower aims to collect a total of \$2 million this year from 13 marketers that want custom models of MarketSim, DecisionPower's software. Among them:



Virtual reality: Pepsi studied vending sales in a simulated office like this.

Procter & Gamble and Tokyo ad giant Dentsu. MarketSim, which costs \$100,000 to build and \$90,000 to license annually, was created by Karakotsios. In 1992 he came up with SimLife, a videogame that simulated an ecosystem where virtual plants and animals had adaptive abilities. SimLife, which sold a million copies and earned Karakotsios \$650,000 in royalties, was a precursor to The Sims, the Electronic Arts videogame with characters that eat, sleep and socialize on their own.

Agent-based modeling was pioneered in 1968 by economist Thomas C. Schelling, who used coins and a makeshift

"The model replicates the way consumers are making decisions."

checkerboard to show how segregated neighborhoods could come about as result of individual preferences, not racism. Since then it has been used to analyze stock market bubbles, traffic jams and risk in the insurance and gaming businesses. In recent years such outfits like Ford Motor and Procter & Gamble have used agent-based models to evaluate supply chains and popular combinations of product features. Unilever is using agent-based modeling software to analyze the purchasing and social patterns of 150,000 customers in Switzerland who use online

grocer LeShop.ch. Working with Eurobios of London, it tracks how shoppers influence new users and affect sales of new products, data Unilever can use in future product rollouts to help plan pricing, packaging and perhaps, to engineer word-of-mouth campaigns.

"Why do you buy one shampoo over another? Somebody might have told you to," says Shail Patel, senior researcher at Unilever. "That is pretty much completely disregarded in traditional marketing research."

Doubters aren't convinced that the computer can make important decisions based on simulations. "Everybody's kids are running around playing the videogame; it's hard to go in to a company and say, 'We're going to use The Sims to solve your problems,'" says Robert Caprara, senior vice president for market research and advanced analytics at ImpactRx, a consultant in Mount Laurel, N.J. that has used agent-based modeling to analyze drug sales.

Computer modeling is also subject to human bumbling, since its rules and mathematical probabilities involve intuition and hypotheses. Says Eric Bonabeau, founder of Icosystem, a tech consultant: "An agent-based model will only be as accurate as the assumption and data that went into it."

In other words, even as companies try to make marketing more scientific, it remains an art.

ECO-PROOF. BECAUSE THE EARTH IS 70% WATER AND THE OTHER 30% IS

MUD AND DIRT



GET THE ONLY WATERPROOF POINT-'N-SHOOT DIGITAL CAMERA AND **GET MUDDY.**



PENTAX[®] Optio **WPi**

WATERPROOF • ACCIDENT PROOF • LIFE PROOF

- > 6.0 megapixels
- > 3X optical zoom
- > Under \$350
- > 100% waterproof (JIS Class 8) because "splashproof" and "all-weather" cameras just don't cut it.

pentaximaging.com

Making Hay Of Haymakers

Tom Lochtefeld's wave machines are catching on everywhere. And he's just getting started | By Christopher Steiner

AT SAN DIEGO'S HOPPING MISSION BEACH, THOMAS Lochtefeld charges \$40 an hour to ride Bruticus Maximus, a 30mph wave that gushes 125,000 gallons of water per minute. But why should surfers pay when the genuine stuff—SoCal surf—is so close and so free? “My wave is better,” laughs Lochtefeld. “Out there you can have bad surf. Not here.”

“Here” is WaveHouse, an outdoor restaurant and bar complex covering two-thirds of an acre and featuring a 10-foot-high, 30-foot-wide wave machine—the zenith of Lochtefeld’s 20 years of hydrodynamic tinkering. He is capitalizing on a spurt of surfing froth his other company, 15-year-old WaveLoch, helped create. Fifty Flowriders, costing \$700,000 or so apiece, already dot the globe, from Wisconsin to Norway to Texas. Last year the company netted \$1 million on sales of \$4 million. Now Lochtefeld, 53, hopes to sell a souped-up \$2 million system via franchising, of all things.

His are not your average wave pools or waterslides for throngs of splashing kids. Lochtefeld’s machines are built for enterprising daredevils. They blast a 3-inch-thick sheet of water up a 30-foot-wide incline, which can vary from a slight ramp to a full-on barrel curl. A bodyboarder or an adept surfer can ride the torrent by playing gravity against the flow, staying suspended in the wave while weaving back and forth across the curl.

WaveLoch profits helped fuel the construction of San Diego’s WaveHouse and the R&D for the Bruticus Maximus, which cranks out four times as much water at speeds half again as great as on Lochtefeld’s past machines. Bruticus, which focuses its flow up a curving 10-foot wall, is for experts only: Riders must provide a certificate documenting their mastery of the smaller machine. Only one surfer can ride at a time, but the entertainment value of near-at-hand surfers and the prospect of violent wipeouts have kept the San Diego WaveHouse busy since it opened in early 2005. (One customer sued after suffering a concussion. Lochtefeld won when the jury decided that the rider,

who had been served with numerous warnings and waivers, had signed off on the risks.) Aside from the wave machine, WaveHouse consists of a surfboard rental shop, boardwalks, Hawaiian-style tiki bars, hammocks, stores and restaurants. One eatery, the Busted Board BBQ, gives a free meal to any wipeout victim who can produce surfboard fragments and a story for the Busted Board Wall of Fame. Lochtefeld expects WaveHouse to net \$1 million next year on revenue of \$5 million.

Lochtefeld has habitually stacked bigger business plays on top of smaller ones, letting one feed the other. It’s an admittedly odd racket for a guy who started at KPMG in 1976 as a junior tax lawyer soon after law school at the University of San Diego. Lochtefeld wasn’t a company man long; he left a year later to run his own practice, specializing in real estate. In 1979 he analyzed leases for Bryant Morris, who was planning to open a water park, Raging Waters, in San Dimas, Calif. Lochtefeld liked Morris’ plan so much that he signed on as a 5% partner. From there he ran water parks in Salt Lake City and San Jose—among the first dozen or so of their kind to offer waterslides, waterfalls, tubing rivers and roller-coaster-like rides that tore down steep tracks and splashed through shallow pools, drenching riders. Today North American water parks number more than 1,000, with 70 million annual visitors.

After selling his 25% stake in the two parks in 1987 for \$2 million, Lochtefeld chased his obsession: building a true stand-up surfing ride that took skill and practice—and would drive repeat visits. That required creating a controllable flow that could be ridden for minutes at a time, offering what amounted to surfing-on-demand. He started by damming a river ride from Raging Waters park, directing its turbulent flow at massive sheets of linoleum draped across a plywood ramp reinforced with concrete blocks. “When one of my contractors—hard hat and all—was able to get up and surf that, I knew I was on to something,” he recalls. That experiment cost him \$30,000.



totally radical:
ochtefeld's machines
offer challenging but
predictable waves.

Entrepreneurs

During the next three years he spent \$1 million developing a machine that could mimic, in a more confined area, what he had achieved at Raging Waters. He had to sell his oceanfront house in La Jolla for \$950,000. "My wife wasn't so thrilled about that," he recalls. He spent his days in the hydraulics lab at UC, San Diego brainstorming with engineering professors on how to tame a torrent into a uniform, uphill sheet of water. "We made more than a hundred models," Lochtefeld says. He paid \$200,000 to patent lawyers, protecting his designs in 40 different countries.

His funds down to a trickle, in 1990 Lochtefeld sold plans and the licensing for his first machine, the Flowrider, for \$50,000 to the Schlitterbahn Waterpark in New Braunfels, Tex. The standard design has two pumps cranking out 30,000 gallons of water per minute at 20mph up a concrete incline covered with a 2-inch polyurethane pad. Newer ramps are made of a trampoline-like textile. By the mid-1990s Lochtefeld was selling the hardware, too. He contracted with a Swedish company to make the submersible pumps; he manufactures the jet nozzles and tubes himself. Today he sells Flowriders for \$450,000 each; gross profit, \$200,000 or so. The buyer faces another \$150,000 to \$1 million in construction costs, such as for the foundation, reservoir and ramp.

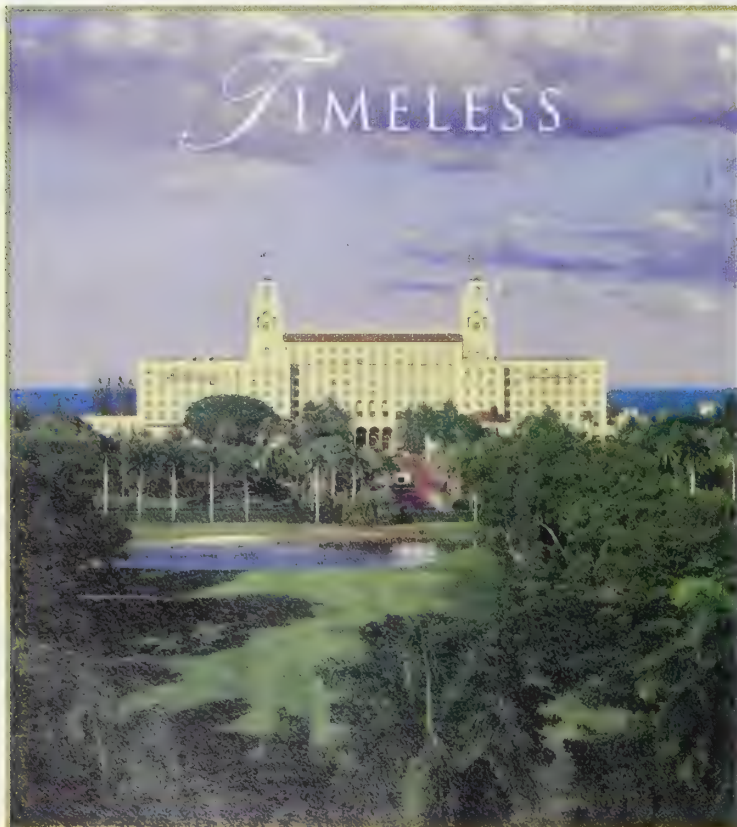
Why spend \$700,000 when you can get a gargantuan waterslide for \$150,000? "Totally worth it," attests Jared Keeling, parks-and-recreation director for Republic, Mo. The city opened its own water park in May with a Flowrider that drew 63,000 people dur-

ing the summer. Nonresidents made up 64% of visitors. "We consistently had people from 100 miles away coming in," he says. "You don't do that for a waterslide." Pro surfers agree. "It's an insane amount of fun," says Jamie O'Brien, a Pipeline Masters Champion.

For Lochtefeld it was an easy climb from the Flowrider to the WaveHouse. He's already sold one package—four wave machines, plus restaurant and bar—to a franchisee in Durban, South Africa, who paid a one-time fee of \$3 million, plus 5% gross revenue to Lochtefeld. The next WaveHouse franchise will open in 2007 on the Isle of Jersey, a British resort and tax haven. Lochtefeld hopes to rope in franchisees in Las Vegas, Phoenix, Honolulu, Sydney and Singapore.

Lochtefeld's hype machine is just getting into gear. His Flowrider will be the vanguard attraction on Royal Caribbean's *Freedom of the Seas*, which, when launched in May 2006, will be the world's largest cruise ship, at 160,000 tons. Lochtefeld is unveiling a WaveHouse line of clothing with Sun Diego, a chain of eight surf shops in California that will carry the brand exclusively next year. Plans for the first WaveHouse hotel, on Mission Beach, are also being hashed out—30 rooms to start, up to 300 at some point.

Mere ankle-busters compared with the "surf ranch" Lochtefeld envisions. Three-acre pools will roar with underground reef activated waves; surfers will have to paddle into the wave and out from the froth, just as with the real deal. The difference, of course, is dependability. "Like clockwork," he says. "Totally radical."



THE BREAKERS

To stay at The Breakers Palm Beach is to enjoy the pleasure of truly personal service, luxurious accommodations, one-half mile of private beach, an oceanfront spa, an array of fine dining, 36 holes of championship golf, world-class tennis, award-winning family and children's programs, and the finest on-site boutiques.

A stay at The Breakers is an experience worth repeating for generations to come.

For reservations or information, call your travel professional, contact The Breakers directly at

1-888-BREAKERS (273-2537),

or reserve online at thebreakers.com.

Owned and operated by Flagler System, Inc.

THE ULTIMATE BEACHTHONT EXPERIENCE — AVAILABLE WINTER 2006
Visit thebreakers.com for information and updates.

WE KNOW
WHERE TO BUY
AN ISLAND HOME
AROUND HERE.
OR AN ISLAND,
IF YOU LIKE.

At Superpages.com, we know where to find a new home or a new business. From real estate to vacation spots to pet supplies, we know where it comes to finding local businesses with local advice.

we know around here

superpages.com



We never stop working for you.

STARTUP BLUES

Struggling Upstream

Kayak.com aims to be the most comprehensive travel site on earth. A tough feat but not nearly as hard as getting paid | By Megan Johnston

THE BEST THING ABOUT AN Internet company," says Daniel S. (Steve) Hafner, cofounder of travel Web site Kayak.com, "is that you can leave for an afternoon and the site runs itself." On a recent hot day Hafner, 37, is powering his new Chris-Craft speedboat across Long Island Sound near the waterfront mansions of Westport, Conn.

Chalk up some of that nonchalance to experience: Hafner cofounded Orbitz five years ago; his partner, Paul English, 42, a former vice president at Intuit, started five Internet companies.

Such gumption prompted these guys to approach America Online executives in January 2004 with an offer to run AOL's travel search component. "We didn't have a company name or

funding," recalls Hafner. "How's that for chutzpah?" (AOL eventually invested \$2 million in exchange for Kayak's managing PinPoint Travel.) Hafner and English also finagled \$17 million in funding from the likes of Sequoia Capital and General Catalyst Partners for 50% of the company—a clear triumph of connections over substance.

The Norwalk, Conn. company is



Treading water—barely. Web veterans Paul English and Steve Hafner hope to make a splash with a new online travel service.

NOKIA
Connecting People

Technically speaking, it is beautiful.

High-tech. High-performance. High-grade stainless steel.
The Nokia 8801 phone is the perfect blend of beauty and brains.

To find an exclusive retailer near you, visit nokiausa.com/8801



NOKIA
8801



What will you remember?



FOUR SEASONS
Hotels and Resorts

MEXICO CITY TORONTO HOUSTON SYDNEY LOS ANGELES VANCOUVER MIAMI HAMPSHIRE BUENOS AIRES



FOUR SEASONS
Hotels and Resorts

FROM THE MOMENT YOU REACH
OUR DOORS, YOU'LL KNOW THAT WE'VE
BEEN EXPECTING YOU. WELCOME INTO
A WORLD OF EMBRACING COMFORT,
WHERE EVERYTHING HAS BEEN
THOUGHTFULLY PREPARED FOR YOUR
ARRIVAL. EXPERIENCE THE PEACE OF
MIND THAT COMES FROM KNOWING
EVERY DETAIL IS JUST AS IT SHOULD
BE, WITH NOTHING OVERLOOKED.
ALL OF WHICH LEAVES YOU FREE TO
FOCUS ON WHAT BROUGHT YOU HERE.



CONTACT YOUR TRAVEL CONSULTANT,
VISIT WWW.FOURSEASONS.COM OR
IN THE U.S. CALL 1-866-536-9558.

LONDON JAKARTIA SILICON VALLEY TO

omething of a knockoff of Orbitz, Expedia and Travelocity. But unlike these online sites, which buy and resell airline seats and hotel rooms, Kayak is a travel search service. It doesn't sell anything but connects customers with airlines and hoteliers, collecting what amounts to spare change per click. Launched in February, the company will probably lose \$6.3 million on revenue of \$3.3 million this year. Hafner and English insist they'll turn a profit by 2007, if they don't run out of their remaining \$10 million in funding first.

Their odds aren't great. Sidestep.com, which debuted in 2000 as a downloadable travel search toolbar for PCs, got a lot of bad press because folks thought it was spyware. Farechase.com, a travel search service, was sued in 2003 by American Airlines and Southwest Airlines for searching their inventory without permission. It settled both cases and was acquired by Yahoo in 2004.

Hafner puts his faith in Kayak's technology. English and his programmers designed the software with so-called rich internet application architecture, the first travel search site to do so, which allows it to scour more than 100 Web sites continually. With traditional Web applications all data has to pass through a server; RIA

airline or hotel directly. But there are holdouts there as well. Southwest Airlines has so far refused to participate (as it does with every travel site).

The real challenge is to make money. Even with access to a site, Kayak collects nothing unless it has an agreement in hand. Its sales staff of two has snared contracts, usually via the Internet, with 65 suppliers and smaller online travel agencies like Onetravel.com. But Kayak doesn't have enough swat to set a price—or even to insist on payment. Willing suppliers bid on how much they will pay per click, usually between 50 cents and \$2. “We list inventory without having a commercial contract in place,” says Hafner. “This is great for consumers.”

Well, sometimes. Suppliers that pay Kayak the most appear first on the initial list of search results. That's a function of the Kayak Network, a patent-pending search tool for advertisers. Also, the greater the number of clicks a hotel gets, the further it jumps up. Users must take the extra step of sorting by a factor like price. If they decide to book and click on a link to the supplier's site, Kayak gets paid. (By contrast, the entire transaction occurs at an online agency site like Orbitz, which takes a percentage of the sale, about \$20 per flight

We are still losing money at an impressive clip,” says Hafner.

allows some of the processing to take place on the user's computer, so results can be seen and manipulated immediately. Kayak says it provides a more exhaustive search than any other travel site, including the inventory of 551 airlines and 91,500 hotels. Its goal is to find and search every hotel on earth, which it estimates at 300,000 properties.

It won't get there without a struggle. When Kayak was in its test phase, Travelocity accused it of poaching—or searching inventory without permission—and Kayak backed off. It hasn't yet been sued, probably because it now asks permission before it sends its search spiders to a site. Expedia, Orbitz and Priceline have refused access. Kayak can maneuver around obstinate sites by signing up an

or \$35 per hotel room.) Why not capture even the tiniest cut of revenue? “We're just trying to build a Web site that produces a great return-on-investment for advertisers,” says Hafner. He claims Kayak's conversion rate from click to sale is 8% versus an average 0.8% for online travel sites.

Is this sustainable? Sales are now increasing at an astonishing 15% a month, to \$388,000 in September. But two of every three searches produce no revenue; on average Kayak makes just 17 cents per visit. Monthly losses, which Hafner says are declining, are \$500,000. “We are still losing money at an impressive clip,” he says. That might change if Hafner spent a little less time cruising on the Chris-Craft and a little more wearing down some shoe leather on sales calls. **F**

IF SOUNDS MORE SCIENTIFIC THAN it is, a formula dictates that you should be equity heavy when you're young and reap stocks' storied appreciation through the decades while outpacing inflation. Then as old age nears, you shift into safer, income-generating bonds. The logic is that if you suffer a bear market when you are young, you have plenty of time to earn the money back and almost certainly will, while a retiree might never get a chance to recover.

As logical as the formulas are, they don't alter the fact that investing still involves a lot of guesswork and that the next century in the market might be very unlike the past one. These uncertainties have not stopped the mutual fund industry from creating products built around age-based formulas. The funds automatically reallocate your money away from stocks and into bonds as you age. Overall, fund tracker Morningstar found 98 of these funds from 17 companies.

You get an idea of the guesswork built into the allocation decision by noting that competing "targeted maturity funds" vary wildly in risk. Some start out—and end—with more equity than others. That can be good or bad, depending on whether the stock market veers off on an unexpected course during your lifetime. If you haven't already, you probably will see one of these offerings on the main menu of your employer's 401(k) plan.

A look at the five largest families sponsoring targeted funds (see chart) shows how the planned shift from stocks to bonds works over time. They all offer funds to at least three age groups: for those nearing the traditional retirement age of 65 now (whose funds are targeted at retirements in 2005 or 2010), for those in middle age today (target dates: 2025 or 2030) and for the young set (2040 or 2045). After the funds reach their retire-

ment date, they will keep shrinking the equity portion down to perhaps 20%.

The stock portions you see on the chart show you what you'd get if you bought now, and they also give you a good idea how the lineup will change in the years ahead. A 30-year-old would buy into a Fidelity Freedom fund currently with 84.6% in equity and move to 74.1% by age 45. The managers reserve the right to tinker with that schedule, known in fund argot as the "glide path," in response to the economy and the market.

If the fund managers can't guarantee a stock bounce-back from the next bear market, they at least reduce the risk that you will panic and sell at the bottom, only to buy back years later when you are older and stocks are dearer.

All you have to do is avoid meddling with the autopilot. With any equity-rich fund, says Standard & Poor's mutual fund strategist Rosanne Pane, "when the portfolio is down 20%, you're going to have a bad reaction."

Let's zero in on how much the target

THE FUNDS

Age-Centric Investing

Targeted-maturity funds adjust the stock-bond mix for you as the years go by. But some take more chances with your money than others | By Michael Maiello



Risk Adjusted

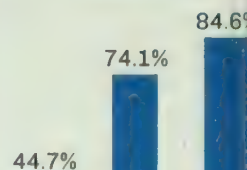
Here are the leading providers of targeted funds, with their differing equity allocations shown by the colored bars.



TARGET DATE	'05	'25	'40
TARGET AGE	65	45	30
EXPENSE RATIO	0.7	0.8	0.8
YTD RETURN	3.5	4.8	11.3

Fidelity Freedom

FIDELITY



Performance through Sept. 30. '5.25% sales charge.
Source: Morningstar Inc.

ted funds give the oldest investors. Among the bigger vendors, T. Rowe Price's 2005 fund would leave a 65-year-old with the largest amount of assets in stock, 57.2%. Vanguard is at the other extreme, with a 32.5% equity allocation in its 2005 fund. For youngsters there's an equally wide range. TIAA-CREF starts them in its 2040 fund at 79.2% equity. Putnam's hard-charging 2045 fund begins with a 92.7% in stocks.

You have to have faith that the targeted portfolios' managers did a good job picking component funds from their companies' rosters. Targeted funds are new, hence long performance records just aren't available. For what it's worth, all the funds shown here have bested the S&P 500 this year. (T. Rowe's 2045 fund, which launched in June, is a tad ahead of the market since then.)

More problematical is whether the mix the managers choose is sufficiently diversified to weather pending storms. Targeted funds reflect the orientations of their sponsors. Fidelity, a house that presses actively managed, large-cap domestic issues, has thickly populated its targeted fund with these creatures. The likes of Fidelity Blue Chip Growth and Fidelity Growth & Income make up the bulk of the Fidelity Freedom 2040 targeted fund. It has a mere smattering of more-specialized funds like Fidelity Japan.

The fund families use only in-house products when they assemble their age-targeted portfolios.

Meanwhile, Vanguard, whose forte is index funds, unsurprisingly gives the bulk of its Target Retirement portfolio over to its Total Stock Market Index (70%, in fact), which replicates the MSCI U.S. Broad Market Index. The rest is divided among a European stock index, a Pacific stock index and the Total Bond Fund, meant to track the Lehman Aggregate Bond Index.

S&P's Pane, while believing that targeted funds are fine for folks without the time or expertise for investing, thinks seasoned investors can do better assembling their own portfolios and adjusting them over time. While the Vanguard bond fund averaged a 6.25% return over the past five years, she says, you might be better off with the Pimco Total Return bond fund, which clocked 7%.

Another vexing factor: The methods the families use to assemble the underlying funds for their targeted portfolios aren't always clear, other than that they

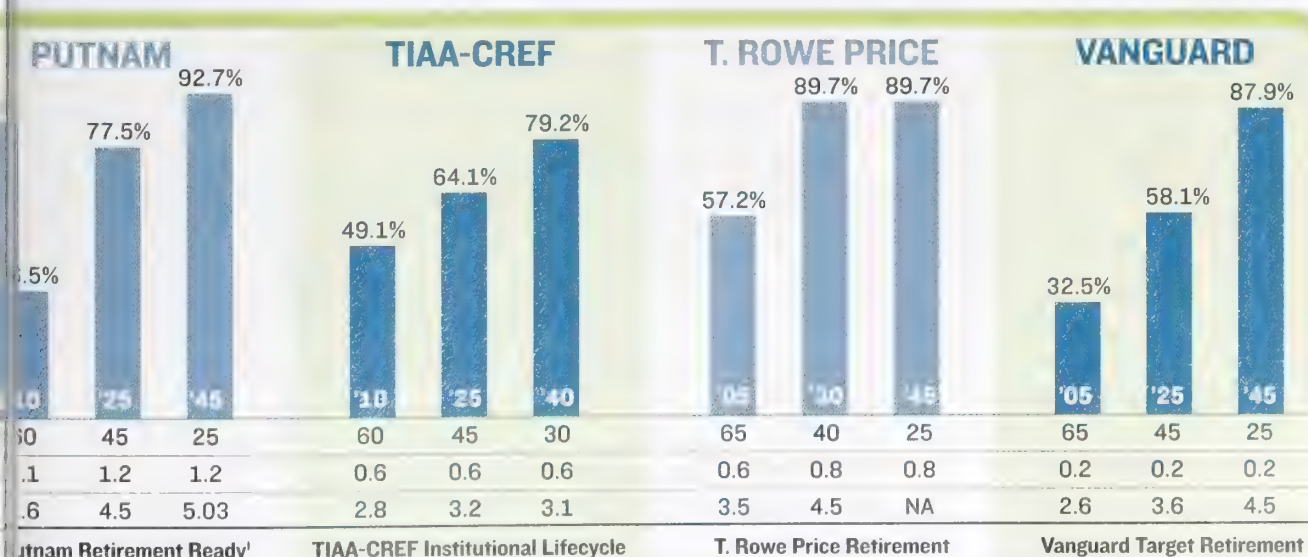
will use only their in-house products.

T. Rowe's targeted fund, the most audaciously stock-laden for older savers, also is the most forthcoming about its asset allocation method. Alas, the method is so arcane that average investors would have immense trouble replicating it. Manager Jerome Clark divined his mix using Monte Carlo analysis, a statistical approach that attempts to assess the risk that a retiree will run out of money, given a certain starting stake and withdrawal rate and various assumed probabilities for future interest rates, inflation rates and stock market results. The computer has a lot to worry about with these simulations. The probability is 45% that at least one member of a healthy 55-year-old couple will reach age 95.

Vanguard has a seat-of-the-pants method guided by the desire to minimize risk. "People generally hate losses more than they like gains," says Catherine Gordon, who designed Vanguard's targeted funds. Even more conservative are smaller players like Scudder (25% for its 2010 fund) and State Farm (16%).

One good thing: Targeted funds aren't bad on costs. Vanguard's expense ratio is predictably at the low end, with fees of 0.2% of assets yearly. Putnam is high at 1.1% to 1.2% in fees. That's still less than the average 1.5% for domestic funds. **F**

A related column appears on page 150.



EQUITIES

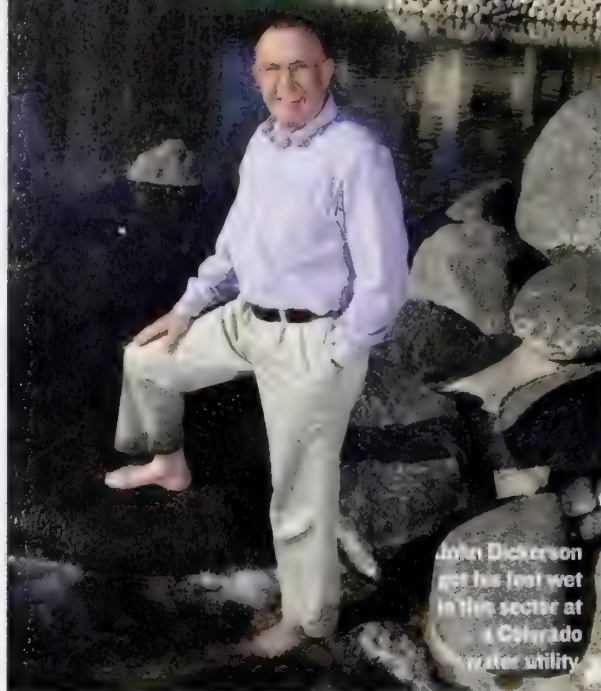
Liquid Stocks

So oil is growing scarce? Water is next, especially in developing nations. There's money to be made in the companies providing it.
By Tatiana Serafin

SAN DIEGO PORTFOLIO MANAGER John I. Dickerson doles out Cassandra-like warnings about water shortages every chance he gets. In ominous tones he'll talk about how there is not one more drop than a million years ago, but 6 billion people now are competing for the same resource. "We're sucking on a straw until we hit the bottom of the glass," he says.

And the biggest needs are in developing countries. Only 20% of the world has running water for residences. Two-thirds of China's 669 cities have a dearth of water. Plus China, currently fueling 30% of the world's economic growth, plans to add between 200 and 400 power plants, an approved 300 gigawatts, but it does not yet have the water lined up for their construction or operation. The Chinese government estimates that \$28 billion was lost in industrial output in 2003 because of water shortfalls; further glitches could disable China's manufacturing machine. Goldman Sachs predicts a 10% to 15% expansion in developing countries' water sectors and only 4% to 6% in the developed world.

This is a situation awash in opportunity, says Dickerson, 63, head of Summit Global Management, which runs water portfolios for wealthy clients. U.S. investors bid up water stocks 20% earlier this year; now the frenzy has cooled, and water stocks are up only 7.2% for 2005 (still better than the market's -1.3%). But this surge has put the price/earnings mul-



tiples of U.S. utilities like Aqua America (see "Splash," May 9, p. 102) and Southwest Water on the high side—34 and 54. More-enticing prospects are found in companies serving places like China, India and Latin America, where water systems must be built from scratch.

Dickerson was schooled in the ways of water by serving on the board of a small municipal utility in Colorado in the late 1970s. "The arid Southwest takes you to the conclusion that water is everything," he says. While sorting through arcane water rules out West, he realized water utilities were undervalued and started investing in 1980.

There are two types of water investments: water utilities, which provide the stuff, and water industrials, which service the utilities with engineering, construction, pumps, pipes and filters. That adds

up to 371 companies, 10% of them American, with market cap of \$623 billion. The investing appeal: revenue streams far more predictable than those from other resources such as oil. "They have better trickle-down economics; they are not affected by a weak dollar or whatever else," he says. "This is a wonderful business."

Starting in 2000, Dickerson sold off a lot of his U.S. water portfolio (today it is only 15%) and put the money to work overseas. He sees si-

stocks as worthy of your consideration (see table). At the moment China is the hottest area, with 20% yearly growth projected by Goldman Sachs. The big players are likely to benefit first. "If you are going to develop an oilfield, you contract with Shell or a Schlumberger," he says.

Among water utilities, France's Veolia Environnement—the spun-off environmental services assets of entertainment giant Vivendi—is the largest water company in the world, with water revenue of \$13.9 billion, 40% of revenue (Waste management, another growing area redolent with promise, is at 25% with the rest divided among energy services and transportation.) The stock P/E is the highest among Dickerson's recommendations, at 25, but that number is in large part due to a dip in earnings from costs associated with the sal-

Trickle-Down Economics

These water-utility and equipment-making outfits are big in places like China.

COMPANY	PRICE		ENTERPRISE		
	RECENT	52-WEEK HIGH	P/E	MULTIPLE ¹	YIELD
ITT INDUSTRIES	\$110.71	\$112.62	21	11	0.6%
PENTAIR	35.34	46.47	21	13	1.4
RWE GROUP ²	61.52	71.58	13	7	2.4
SUEZ ²	27.09	30.87	13	8	5.4
VEOLIA ENVIRONNEMENT ²	41.60	43.45	25	32	2.0
WATTS WATER TECHNOLOGIES	27.74	37.55	14	9	1.0

Prices as of Oct. 18, in U.S. dollars. ¹Enterprise value (market value less net debt) divided by operating income (earnings before interest, taxes and depreciation). ²American Depository Receipt.
Source: Worldscope via FactSet Research Systems.

SAS SOFTWARE FOR
BUSINESS INTELLIGENCE AND BEYOND



SAS BUSINESS INTELLIGENCE

The Power to Know. why other BI vendors have arrived too late.

WANT PROOF?

Check out our Web site
to learn why analysts
and customers agree:

SAS Business Intelligence
is fast, simple, consistent
and accurate.

While other vendors are playing catch-up — by just now introducing their BI approaches — SAS continues to lead the way in the business intelligence market. When you consider investing in or upgrading your current BI software, talk to SAS about our proven successes.

- Unmatched Enterprise Intelligence Platform
- Nearly 30 years of BI experience
- Undisputed leader in business analytics
- More than 4 million users at over 40,000 locations worldwide
- At work in 94% of FORTUNE Global 500® companies

go Beyond BI™ at www.sas.com/sasBI • Analyst case study

SAS 9



THE
POWER
TO KNOW

of a Spanish construction outfit.

Veolia began negotiating with Chinese bureaucrats in the early 1990s, winning its first contract in 1997, a 20-year deal to operate water production in the eastern Chinese city of Tianjin. Today Veolia has 16 water contracts and 12 waste-management contracts in China, which will bring in \$300 million this year.

Another French company, Suez, is a big hitter, as is Germany's RWE Group, which owns Thames Water in the U.K. and American Water Works in the U.S. They both have dividend yields well above the market's and price/earnings multiples well below. All three of these large European players are traded (as ADRs) in the U.S.; Dickerson owns Suez and RWE.

Among water industrials, Dickerson likes Watts Water Technologies, the \$825 million (2004 sales) maker of valves and filters, which changed its name from Watts Regulator to remind customers that it has come a long way from the pressure-relief

"We're sucking on a straw until we hit the bottom."

valves it started with 131 years ago. Though its China sales thus far are only 3% of revenue, these are high-profile; its valves are used in China's huge Three Gorges Dam project on the Yangtze River.

The \$2.3 billion (2004 sales) Pentair, provider of much-needed water-purifying systems, has embarked on an acquisition spree, last year buying Wicor Industries, the water systems unit of Wisconsin Energy, for \$850 million. Pentair is investing heavily in Asia and has hired a former General Electric China executive to drum up business there. Thus far it has only \$19 million in revenue from China, though that will increase dramatically.

A larger name is conglomerate ITT Industries, which started to bulk up its Fluid Technology business with acquisitions

starting in 2002. Pumps, purifiers and waste-management systems now account for 38% of total revenue and 45% of operating margin. You probably have ITT products in your basement (look for ITT Bell Gossett nameplates on pumps and valves for hot water heating systems).

For the more adventurous, Dickerson recommends investing directly in foreign markets (we include only U.S.-traded stocks in our table). He says the little-known Japanese company Kurita Water Industries, a \$1.5 billion water purifier, "all over China." Tiny Hyflux, a \$53 million water-treatment company that trades in Singapore, has a strong five-year growth record and recently won a \$422 million contract to purify water in the Chinese city of Harbin. On the equipment side Sweden's \$2 billion (2004 sales) Alfa Laval provides pumps, valves and the like.

"The same companies that are getting the water business in China are the ones that will get the contracts in India and other areas," says Dickerson.

eosairlines.com

1.357.3677

from october 18,
travel between
new york and london
will enter a new era.

for forty-eight people at least

At eos, we've removed all 200 seats from our 757s, put in 48 private suites and we're flying between New York and London. This radical departure gives you 40% more space than traditional business class. Think private jet (admittedly, a rather large one). As an example of our attitude towards service, please consider our cashmere blankets and restaurant-style tables. As an example of our entrepreneurial spirit, please consider our introductory fares. They're also a dramatic improvement over traditional business class.



A WELCOME
DEPARTURE

Time flies.
Bulova soars.



 **BULOVA**
Since 1875



Thousands of Possibilities

Show your technology who's boss.

Informational videos. Updates on the latest products.

99¢ movie downloads for your laptop.

visit www.BestBuyInsider.com



Deadline for Donors

A temporary tax break could make 2005 the year of giving generously | By Ashlea Ebeling

DO YOU PLAN TO MAKE A BIG GIFT to charity some day? Do it now. Maybe. Congress has created a significant, temporary, tax break: Cash donations made to most public charities from Aug. 28 through Dec. 31 can be used to offset up to 100% of your 2005 adjusted gross income, up from the normal 50% limit. While the increase was passed in the name of Hurricane Katrina relief, it can be used for any charitable purpose. You can even honor an old pledge, so long as you deliver the cash by Dec. 31.

"It's a window of opportunity," says Robert F. Sharpe Jr., Memphis, Tenn. lawyer and planned giving consultant.

About that "maybe": "For some people it's an opportunity that shouldn't be taken," warns Laura Peebles, a charitable giving guru at Deloitte Tax in Washington, D.C. After all, if you donate more than you can deduct in a given year, you can carry the deductions forward for up to five years. Before deciding whether to elect the temporary Katrina break (you can donate and not use it), you'll need to consider your future giving plans, expected income, possible federal tax law changes, state taxes and even the alternative minimum tax. One more relief act for CPAs.

Only cash donations qualify for the temporary break. The donation of stock or other appreciated property to a public charity can, as usual, offset a maximum of 30% of your income. Combining all the different limits gets tricky.

Say you're retired with \$100,000 in AGI and gave \$30,000 in appreciated stock

and \$20,000 in cash before Aug. 28. Now you give another \$50,000, thinking you'll wipe out your taxable income. Nope. You'll be able to claim only a \$70,000 deduction in 2005—for the cash contribution—and will have to carry forward the entire deduction for your \$30,000 in stock donations. (That might not be bad—if you're not planning to make big donations again next year.)

Another complication: Congress wanted to make sure the 100% deduction helps charities doing good deeds now. So



cash contributions to a donor-advised fund, such as the Fidelity Charitable Gift Fund—where money can idle for years before being dribbled out to other charities—aren't eligible for the Katrina break. Cash gifts to private nonoperating foundations (92% of all private foundations) can offset only 30% of AGI.

Assuming you want to use the 100% deduction, where should you get the

cash? If you earn a nice salary or have income (say, from an S corp or partnership) taxed at ordinary rates of up to 35% and you don't have cash lying around, consider selling stock losers. Since just \$3,000 of capital losses can be deducted against ordinary income, selling losers won't reduce your AGI—or your 100% deduction limit—by much, and you can carry forward the rest of your capital losses to offset future gains. Or you can sell winners this year, too, to sop up the losses.

Retired donors looking to make a big gift and maybe thinking about estate planning, too, should consider drawing from a regular individual retirement account. That is, one funded with pretax money. Distributions from these IRAs are taxed at rates of up to 35%. Better to leave the kids' stock in taxable accounts; they get a step-up in basis, meaning your heirs can sell immediately and owe no income tax.

Normally, taking a big lump from your IRA and giving it away while you're alive creates a substantial income tax bill. But between Aug. 28 and Dec. 31 the federal tax on a donated IRA typically will work out to 1%, says Christopher Hoyt, a tax professor at the University of Missouri-Kansas City School of Law. (For the mathematically curious, that number happens to be the product of 35%, the top tax rate, and 3%, the amount that your adjusted gross income is artificially inflated via a backdoor income tax surcharge invented by Congress in 1990.)

Residents of Indiana, Massachusetts, Michigan, New Jersey and Ohio need to be particularly careful, Hoyt warns. Those states tax some or all IRA distributions but don't allow an offsetting charitable deduction. Watch out, too, for California: It doesn't automatically conform to federal tax law changes and hasn't adopted the temporary 100% deduction. **F**





RHEA TAUBER IS 98 BUT HAS MORE energy than people 20 years younger. From a second-floor office in her town house in Yonkers, N.Y. she writes a regular column on current events for the *Westchester Jewish Chronicle*. She taxis into Manhattan to go to the symphony with her daughter or hang with their friends. "I may be aged, but I am not an old lady," she says. Other than a recent knee injury

body more efficient at removing cholesterol. It also may protect against cognitive decline in old age.

Barzilai hopes his research will lead to a new generation of protective drugs that will let people avoid major chronic diseases of the elderly. "Aging is the most undiscovered part of medicine, but it is the background of every disease," he says. He is frustrated that so few biotech companies now invest in aging research. He says a longevity-gene drug, shielding patients simultaneously from men-

Want To Live Forever?

Researchers are unlocking the mysteries of aging.

By Robert Langreth

Rhea Tauber is 98. Daughter June Tauber Golden (right), 63, and granddaughter Sarah Brysk (left), 31, barely keep up with her.

and a gall bladder operation 60 years ago, she can't recall any significant medical problem.

"I am a total mystery to my doctors. They call me the miracle lady," she says. But researchers at Albert Einstein College of Medicine in New York have pinpointed one reason for Tauber's longevity: her DNA. Examining the genes of Tauber and 350 other Ashkenazi Jews who are nearing age 100, Nir Barzilai and his colleagues have identified three genes that appear to promote long life by protecting against the diseases of old age. One longevity gene, present in 24% of these centenarians, (including Tauber) compared with 8% among younger people, may help stave off cardiovascular disease by making the

tal deterioration, heart disease and stroke, could be ready in less than a decade.

His work is part of a radical new scientific assault on the causes of aging. Researchers long had assumed our bodies simply break down over time. Today they are making stunning progress in discovering the master genes and proteins that regulate how we age. Longevity genes appear to slow down the aging process by making cells and tissues more stress-resistant, better able to withstand the inevitable environmental insults that accumulate over a lifetime from bad diet, inflammation, radiation, genetic mutations and toxic chemical by-products called free radicals.

Rhea Tauber and other fortunate souls may have inherited their protective genes. Siblings of centenarians are up to 20 times as likely to live to

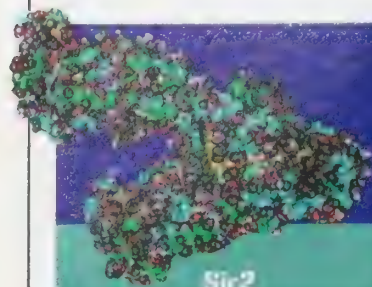
age 100 than their peers. Researchers at Decode Genetics in Iceland have found two genes in Icelanders that appear to improve the chances of living past 90 by protecting brain cells from damage and disease. Some research, moreover, indicates that a protective mode may exist in all of us, triggered in times of drought or famine, to let the body hunker down until conditions improve; the trick is how to spark that same response with a pill.

Some of the best insights have come from studying animals. In a decade nine gene mutations have been discovered that let

yielded drugs targeting major killers; the drugs are now in human trials. Studies of free radicals, a major suspect in aging, led to promising stroke drug now in final-stage trials at AstraZeneca, soaks up free radicals that spread damage after a stroke; it could hit the market in 2008. Biotech firm Geron just began human tests of a cancer therapy that targets enzymes that reset telomeric tiny molecular clocks that tell cells to die after a certain number of divisions; these clocks malfunction in cancer cells. Geron's drugs aim to fix them so the tumors expire on schedule.

Cracking the Code

Researchers have targeted protective genes and proteins that slow aging in lab animals and promote longevity in people. Experimental drugs that mimic these effects may one day treat the myriad maladies of aging. Here are some early findings.



Sir2

The sir2 gene and other "sirtuins" put the body into a defensive mode to protect cells against disease. In simple lab animals, compounds that stimulate sir2 boost life span up to 70%.

Sirtris is crafting drugs targeting diabetes, obesity and neurodegenerative disorders.

Cholesteryl ester transfer protein (CETP)

One gene variant for this protein, which processes cholesterol, is linked to remarkable longevity in Ashkenazi Jews and others.

Pfizer is in final-stage human tests of a drug, torcetrapib, that blocks CETP and, in heart patients, boosts good cholesterol.

Adiponectin

This fat hormone protects against insulin resistance. In many aged Ashkenazis a gene variant causes the body to produce high levels of it.

Biotech firm Serono is studying adiponectin in lab tests to devise a treatment for obesity or diabetes.

IGF-1/Growth hormone

Lab studies point to these hormones as regulators of life span. Female mice with fewer IGF-1 receptors live one-third longer.

Elixir Pharmaceuticals hopes to test ghrelin antagonists, which block the release of growth hormone and lower glucose levels, for treatment of diabetes.

mice live up to 50% longer. Dozens more longevity genes have been found in tiny worms and fruit flies. "For the first time it is abundantly clear that aging in mammals can be slowed down," says University of Michigan gerontologist Richard Miller. "If we can produce drugs that could slow aging to the same extent we can slow aging in mice or rats, the average person would live to 110 or 115." Adds Donald Ingram, who studies for the National Institute on Aging whether ultralow-calorie diets slow aging in monkeys: "I think increasing maximum life span by 25 to 30 years is possible."

Other researchers disagree. "It is pure science fiction to say we can change the rate of aging in an organism as complex as ours," argues Thomas Perls, a geriatrician at Boston University Medical Center who studies centenarians. He says many people now live into their late 80s, and, rather than dreaming of nostrums that may never arrive, we would fare far better by focusing on diet and exercise.

A handful of biotech firms are in pursuit of this Fountain of Youth. "If someone is predestined to live to 75, maybe drugs can take him to 90; if he is predestined to live to 90, maybe we can take him to 100 or 110," says William Heiden, chief executive of Elixir Pharmaceuticals in Cambridge, Mass.

Basic research into the mechanisms of aging already has

America's life expectancy, at 47 years in 1900, has soared to 77.6 years, but most of the gain came from reducing child mortality. Curing cancer would add only 3.5 years to overall life expectancy, says University of Illinois biodemographer S. Jay Olshansky. Even vanquishing heart disease, the leading killer, would add only 10 years, he says. Far more progress might be made by targeting longevity genes to develop multipronged drugs aimed

"If we can produce drugs that slow aging to the same extent we have in mice or rats, the average person would live to 110 or 115."

at diabetes, Alzheimer's, cancer and other age-related maladies.

One of the first solid clues that humans may possess genes that protect against aging came in the 1930s, when researchers at Cornell University showed that rats fed an ultralow-calorie diet lived much longer than normal. That revelation has been confirmed in mice, fruit flies, dogs and other lab animals. Roughly 40% cut in calories boosts median and maximum longevity 40% providing protection against atherosclerosis, cancer and kidney disease; it also lowers blood pressure, blood sugar and cholesterol. Tests on rhesus monkeys are ongoing and look promising so far. One low-cal primate died last year at 41—age 123 in human years.

Mastering Hemophilia



Winning Freedom

Science For A Better Life



Children love running, climbing, swimming and simply jumping around. And they often end up falling over.

This doesn't usually do any harm – a bruise here, a cut there perhaps. But for children suffering from hemophilia, the slightest injury can be life-threateningly serious.

Hemophilia is a disorder of the blood, impairing its ability to clot. Bayer biotechnological research has led to the development of a highly effective medication, enabling more and more kids to take part in the fun and games of childhood. So that kids can feel more like kids – and less like lifelong patients. www.bayer.com

For years biologists have figured the aging process is so complex it must involve thousands of genes, too many to offer an effective targeted therapy. But in 1988 they began to suspect otherwise, in part because of studies of roundworms only 1 millimeter long. Geneticist Thomas Johnson, now at the University of Colorado, showed that altering a single gene, called *age-1*, doubled the worms' term of life to one month. "There was com-

"It is pure science fiction to say we can change the rate of aging in an organism as complex as ours."

plete disbelief," he recalls. University of California, San Francisco researcher Cynthia Kenyon later engineered worms that live six times as long as normal, wiggling around vigorously until the very end.

Similarly, in yeast cells high levels of a gene called *sir2* made them live 50% longer than usual. This emerged in the lab of MIT biologist Leonard Guarente, whose team spent years counting thousands of yeast cells under a microscope. "My colleagues thought I was nuts," he says. When Guarente's team deleted the *sir2* gene from the yeast and then restricted

ical School in 1999. His team mixed the human version of *sir2* with 10,000 chemicals, searching for ones that boosted activity. The most potent stimulator they found was resveratrol, a chemical found in red wine and theorized to be responsible for wine's apparent cardiovascular benefits. When Sinclair's team fed resveratrol to yeast cells, fruit flies, and worms, the animals lived 14% to 70% longer, they reported in two studies in the journal *Nature*. "We are talking about molecules that turn on the body's innate defenses against disease. Modern medicine didn't even know the pathways existed," Sinclair says.

The *Nature* papers caught the eye of Christoph Westphal, then at Polaris Ventures Partners. He figured drugs stimulating the human version of *sir2* (called *sirt1*) might harness natural defenses against diseases of aging. He helped raise \$45 million to found Sirtris Pharmaceuticals in 2004 and became its chief executive. Westphal's team is now crafting compounds that have more potent *sirt1*-activating effects than resveratrol, hoping they might help tackle diabetes and Alzheimer's. The next crucial step will be extending the findings to people. Westphal says he has zero interest in developing drugs for aging.

Elixir focuses on another molecular mechanism linked to aging, one that casts doubt on the fad of taking human growth

Love, Sex and Death

Researchers puzzle over the varying maximum life spans of animals, detailed below. Those that mate fast and furiously die younger than those that reproduce late in life with a long lapse between trysts.



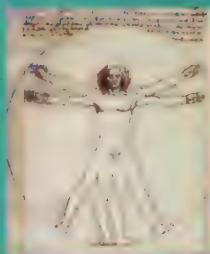
4 YEARS
Mouse



20 YEARS
Dog



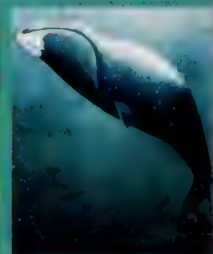
80 YEARS
Elephant



120 YEARS
Human



150 YEARS
Giant Tortoise



210 YEARS
Bowhead Whale

Sources: S. Jay Olshansky; Steven Austad.

calories, the diet no longer lengthened life span.

In other studies high levels of the same gene lengthened the lives of worms and fruit flies, a hint that *sir2* might be part of an ancient survival program common to many species. *Sir2* can turn off whole swaths of genes inside cells, keeping the DNA coiled up in a protected position and less exposed to environmental damage during hard times. Guarente teamed up with UCSF's Kenyon and venture capitalists to found Elixir in 1999, raising \$56 million in venture capital.

The next question was whether a new drug, rather than a crash diet, could activate the *sir2* gene. David Sinclair, who worked as a postdoc in Guarente's lab in the late 1990s, took up the challenge after establishing his own rival lab at Harvard Med-

ical School in 1999. His team mixed the human version of *sir2* with 10,000 chemicals, searching for ones that boosted activity. The most potent stimulator they found was resveratrol, a chemical found in red wine and theorized to be responsible for wine's apparent cardiovascular benefits. When Sinclair's team fed resveratrol to yeast cells, fruit flies, and worms, the animals lived 14% to 70% longer, they reported in two studies in the journal *Nature*. "We are talking about molecules that turn on the body's innate defenses against disease. Modern medicine didn't even know the pathways existed," Sinclair says.

The *Nature* papers caught the eye of Christoph Westphal, then at Polaris Ventures Partners. He figured drugs stimulating the human version of *sir2* (called *sirt1*) might harness natural defenses against diseases of aging. He helped raise \$45 million to found Sirtris Pharmaceuticals in 2004 and became its chief executive. Westphal's team is now crafting compounds that have more potent *sirt1*-activating effects than resveratrol, hoping they might help tackle diabetes and Alzheimer's. The next crucial step will be extending the findings to people. Westphal says he has zero interest in developing drugs for aging.



Everyone smile and say "fully vested."

CREATE YOUR OWN PENSION PLAN It's a good feeling, knowing where you're going. It's an even better feeling being in control of how and when you get there. Your MetLife advisor can help you build a custom portfolio of funds and annuities that are right for you, and help you handle all the details. After all, whose retirement is it anyway? For more information, call **1-800-MetLife** or visit **metlife.com**

Have you met life today?



MetLife



Softer flat beds for
a deeper sleep.

The best service anticipates your needs. To give you the best possible sleep, we used the latest in cushioning technology to create an even more comfortable flat bed. And to add to your comfort, we included plumper pillows and cozier blankets. Our goal is simple: to deliver the best service you could ask for, without you having to ask. So whether you're enjoying a gourmet meal, or an Arrivals Lounge that feels more like a spa, we think you'll find our business class like no other.



Visit ba.com for details

Business class is different on **BRITISH AIRWAYS**

14

FABULOUS TIPS FOR THE FREQUENT TRAVELER

WRITTEN BY JOE BRANCATELLI

PRODUCED BY GLORIA I. LERNER

Business executives who become business travelers know that a lot of the perks and privileges they expect in the office disappear on the road. But there are ways to make your business travel more comfortable and productive. It just takes a little savvy and a little preparation.

From the moment business executives step out of their offices and become business *travelers*, the rules of the road change dramatically.

Powerful executives abruptly learn that their hard-won and well-deserved perks and privileges of office disappear on the road. An executive vice president, they suddenly realize, receives no better treatment from a busy hotel clerk or an over-worked airline reservation agent than an executive assistant.

But there *are* a chosen few who get the better airline seats, the best hotel rooms and much more gracious service. And any business executive who has successfully climbed the ladder in his or her corporation can learn how to become one of the privileged and pampered minority. It only takes a little creativity, a bit of sensitivity, a smidgen of preparation and the fervent desire to get better treatment than the next traveler.

These 14 insider tips can help you get everything you deserve next time you're on the road.

ON THE AIRPLANE

1 Step up to business class

Smart business travelers realize that the extra space and more personalized service of business class allow passengers to maximize the productivity of their in-flight time. In fact, the added productivity more than offsets the additional fare a business-class ticket commands.

Business class on British Airways, for example, is the home of the lie-flat bed. The airline's extraordinary Club World service is now available on flights to London from each of BA's North American gateways. The airline is also installing the lie-flat service on its flights from New York to Manchester, England.

BA's Club World seat reclines to a fully flat, 6-foot-long bed. Passengers receive large pillows and thick, high-quality blankets. Each passenger has his or her own footstool and a personal reading light that offers three brightness settings. Each seat bed is also outfitted with an 8.4-inch personal video screen that swivels for comfortable viewing whether you're seated or lying in bed. The entertainment system offers a choice of 16 games and up to 18 channels of film and TV, as well as 12 channels of audio programs. Each seat bed also has a privacy screen.

British Airways is also making the most of the flat beds with its new Sleeper Service. On selected evening flights to London, Club World passengers are offered a pre-flight supper in BA's Terraces lounges before departure. This allows travelers to maximize their sleep time onboard the overnight transatlantic flights. And for a more peaceful journey, the overnight flights offer a quieter and darker cabin ambience with reduced trolley movement. After the flight, Club World passengers can prepare for the day ahead at BA's London Heathrow Arrivals Lounge

THE BUSINESS-TRAVEL BUZZ ... IN TOKYO

AT THE AIRPORT

Tokyo's international airport, Narita, isn't a favorite of frequent flyers. But Terminal One, the facility used by the major U.S. carriers, is a lot more stylish these days. On the third floor beyond Passport Control are two new shops: Sushi Kyotatsu and Heiando. Most of the other restaurants in Terminal One are Western-style dining rooms, coffee bars or fast-food joints, but Sushi Kyotatsu is the genuine article: a traditional old-Tokyo style sushi shop. Heiando is stocked with an impressive range of traditional products from Yamada Heiando, purveyors to the Imperial Household Agency. You'll find authentic Japanese lacquerware, chopsticks, hand towels, paper goods and pottery at relatively modest, duty-free prices. Web site: www.narita-airport.jp/en/

IN THE LOBBY

At the new Conrad Tokyo, space is the ultimate amenity. Standard rooms are more than 500 square feet, larger than many Tokyo apartments. Guest rooms feature 37-inch flat-panel televisions, DVD players, coffee and tea makers and wireless phones. And the 290-room property offers much more: a sublime spa, a lavish indoor pool overlooking the Tokyo

skyline and a fully equipped fitness center. There's a quartet of restaurants, two of them fronted by British super-chef and TV star Gordon Ramsey. Best of all, the hotel overlooks the serene Hamarikyu Garden, a former royal residence. Prices start at about \$350 a night. Web site: www.conradtokyo.com

AROUND THE TOWN

Music fans know that Tokyo is the best city on the planet in which to buy tunes. Besides gargantuan outlets of the major chains — HMV, Tower and Virgin Megastore — there are several great Japanese chains (Disk Union and RECOfan) and a plethora of quirky, independent shops. Music buffs also know that Tokyo's best neighborhood for CD and vinyl shopping is Shibuya. Why? It boasts the Japanese flagships of HMV and Tower, both of which claim to be the largest music shops in the world, and an excellent branch of Disk Union. No matter how obscure the music genre, you're likely to find a Japanese pressing and import from around the world. The neighborhood isn't hard to find. There's a Shibuya stop on most of Tokyo's major train lines. Or ask your driver to take you to the statue of Hachiko, one of Tokyo's most famous meeting spots.





The new Hilton HHonors. As individual as you are.

From the way you pack your suitcase to the way you order your coffee, you've got style all your own. And now, to match it, the new Hilton HHonors® offers you more flexibility than ever before—so you can Double Dip®, your way.

Points and Variable Miles:	10 HHonors Base points + 1 airline mile per eligible dollar spent
Points and Fixed Miles:	10 HHonors Base points per eligible dollar spent + 500 miles per stay (100 miles at Hampton® and Scandic)
Points and Points:	15 HHonors points per eligible dollar spent

Just select the option you prefer, in your Hilton HHonors membership profile online, at hiltonhhonors.com/myway. The new Hilton HHonors. You keep being you. We'll keep being what you want.

hiltonhhonors.com/myway


Hilton HHonors®
Points & Miles®


Hilton


COURTYARD


Coral
by Hilton


DOUBLETREE®


EMBASSY SUITES
by Hilton


Hampton

 Hilton
Garden Inn


HOMEWOOD
SUITES
by Hilton


Scandic
by Hilton

 The Hilton Family

where shower facilities, hearty breakfasts and massages and mini-facials are available. (You can find out more about the service at www.ba.com/thesleeperservice.)

2 Choose the best seat

If you must fly coach, however, at least know where the most comfortable seats are located. On flights operated with wide-body jets, request an aisle seat in a middle row near the back of the plane. Airlines generally assign those seats last, which means there's a good chance that the seat next to you — or possibly the entire row — may be empty. Regardless of plane type, the roomiest coach seats on domestic flights are located in the rows adjacent to the aircraft's emergency exits. By federal regulation, seats in these so-called "exit rows" must have several extra inches of legroom. But these seats are also desirable because they are quiet: federal regulations specifically bar children from exit-row seats. Airlines usually only assign these seats at the airport, but they are worth the wait.

3 Know the jargon

If you want to fly from here to there via the fastest route, make sure you book only a *nonstop* flight. Oxymoronic as it may sound, *direct* flights aren't. They make one or more intermediate stops between your point of origin and your destination. *Connecting* flights require a change of aircraft. And watch out for "funnel" or "change of gauge" flights, especially when flying internationally. These aeronautic oddities carry a single flight number, but are actually connecting flights in numeric disguise.

AT THE HOTEL

4 Get the recognition you deserve

Hotel frequent-stay programs don't get the publicity that airline frequent-flyer plans receive, but don't ignore them. Frequent-stay plans not only offer valuable awards, but also an invaluable perk: recognition.

"The key to any business, whether it's a mom-and-pop grocery store or a big hotel company, is personal attention. Greet the customer by name, give them exactly what they want when they want it," explains Adam Burke, senior vice president and managing director of Hilton HHonors® Worldwide, the frequent-guest plan of Hilton and its family of hotel brands. "At Hilton HHonors, we have the technology and the ability to offer the kind of customized experience that guests prefer. No matter which Hilton brand or which property our guest chooses, our staff has all the information they need to give the guest exactly the experience *they* want."



THE BUSINESS-TRAVEL BUZZ ... IN LOS ANGELES

AT THE AIRPORT

Where do you go for the best breakfast in L.A.? Why, LAX Airport, of course! Or, to be completely accurate, the Mariposas Restaurant in El Segundo, just outside the airport gates. Mariposas isn't much to look at — it's a sea of blue vinyl booths and brown laminate tables — but the breakfast menu offers all the favorites, done California style. Service is fast, friendly and efficient and prices are shockingly low for L.A. The place runs 24 hours a day, too, serving a gigantic menu of lunch and dinner specialties. It's "the best restaurant in California, maybe in the country," says NBC *Today Show* travel editor Peter Greenberg. Web site: www.haciendahotel.com/dining.htm

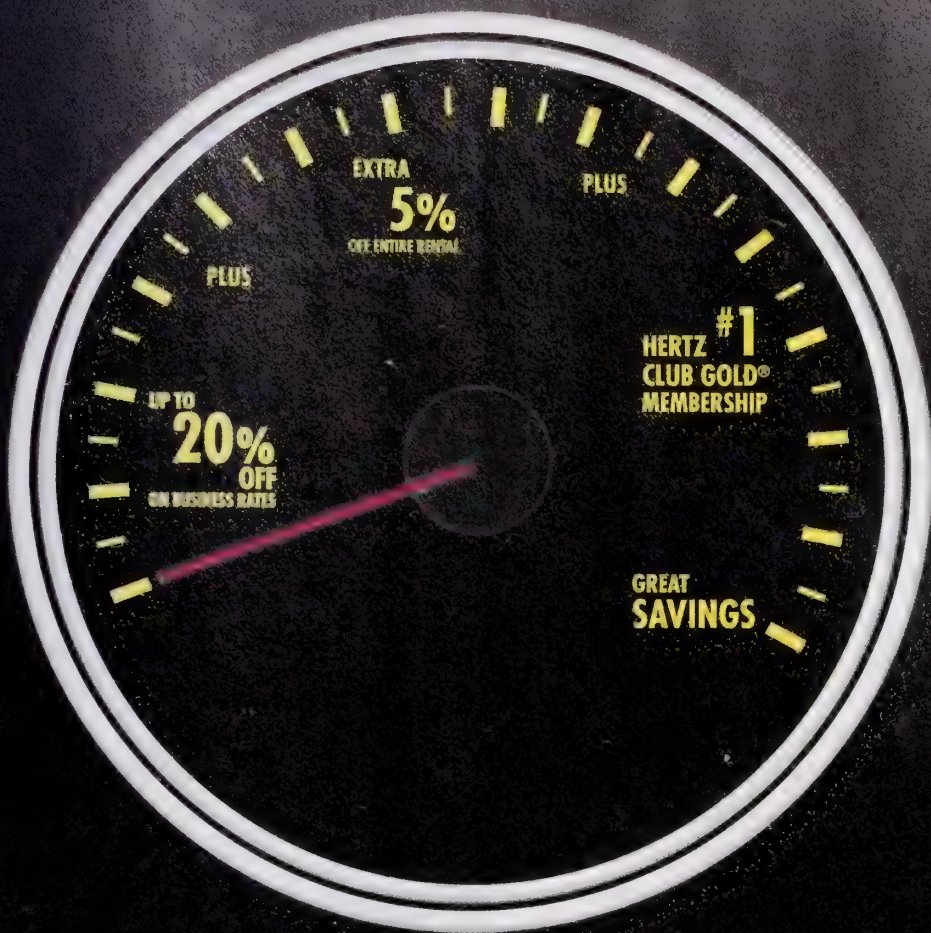
IN THE LOBBY

The world-famous Beverly Hilton Hotel is celebrating its 50th anniversary with a top-to-bottom, \$80 million renovation that has restored the property's legendary luster. The 570 guest rooms have been outfitted with 42-inch flat-panel televisions and Bose Wave radios; pillow-top mattresses, down-filled comforters and imported European linens; and large, custom-built work desks with ergonomic

chairs. The Penthouse Suites collection offers accommodations as large as 3,300 square feet, many with fireplaces, window-lined bathrooms and wraparound balconies with astonishing city and mountain views. There's also an expansive spa, an Olympic-size swimming pool, a fitness center, and, of course, Trader Vic's. Web site: www.beverlyhilton.com

AROUND THE TOWN

It was more than a year in the making, but Wilshire Restaurant opened in September to rave reviews for its New American cuisine and the most impressive of all L.A. amenities: a sprawling garden that offers outdoor dining. The menu created by chef Christopher Blobaum is built around organic produce from the nearby Santa Monica farmers market. He offers everything from familiar comfort food (braised beef short ribs with mashed potatoes) to wild, creative new dishes (calamari and watermelon salad garnished with pickled watermelon rind). Service is excellent and attentive. And everything — from the flossy, glossy crowd and the heirloom-tomato pizzas to the outdoor fireplaces and canvas hung from the trees — screams "L.A." Web site: www.wilshirerestaurant.com



Accelerate your savings.

OPEN from American Express™ and Hertz have joined together to save your company money. Now it's easy to save even more at Hertz. Just pay with an American Express® Business Card and save an extra 5% off your total rental charges, including surcharges and taxes. The extra 5% savings will automatically appear on your American Express statement and is combinable with any Hertz CDP.

The savings continue to add up when you use Hertz CDP#306613 for up to 20% off Hertz Business Travel Rates. Plus, as an American Express Business Cardmember, you are entitled to a fee-waived Hertz #1 Club Gold® membership, our fastest way to rent a car. For details, go to <http://www.hertz.com/open>.

To make a reservation, go to hertz.com, call 1-800-654-3131 or contact your travel professional. To learn more or apply for an American Express Business Card, call 1-888-473-5816 or visit open.americanexpress.com/hertz.



Keyword: hertz
Hertz rents Fords and other fine cars. © Reg. U.S. Pat. Off. © 2005 Hertz System, Inc.
FOR YOUR INFORMATION: To receive your 5% savings, payment must be made with an American Express® Business Card. Savings available only at participating U.S. locations. Participation and offers are subject to change without notice. Hertz terms and conditions apply. For more information please visit open.americanexpress.com/savings.

5 Spread a few singles around

Making friends and influencing people is always a wise policy, and at a hotel, the friends you most want to make are on the housekeeping staff. Tipping the maid a few bucks a day will ensure that she's responsive to any immediate, last-minute needs you may have, be it an iron and ironing board, a few extra towels or an additional pillow. And make sure you leave a tip every day rather than in one lump sum at the end of your stay.

RENTING A CAR

6 Avoid the rental counter

No business traveler has the time to waste at a car-rental counter. More importantly, it's no longer necessary. Many major rental firms now offer "instant rental" services that permit travelers to go from the gate of their arriving flight directly to their car without stopping at a counter or dealing with paperwork. Hertz, for example, calls its program "#1 Club Gold®." At more than 40 of the world's busiest airports, there's no stopping at any counters. You simply hop on the bus and the driver will deliver you to your car, which is waiting for you in a dedicated, weather-protected space. And, at over 1,000 locations around the world, simply go to the specially designated Gold area, show your driver's license and pick up your keys. The service also eliminates a counter stop on your return. A Hertz representative meets #1 Club Gold members and processes your return at your vehicle.

7 Choose a better car

Business travelers can also improve their lives on the road by driving a vehicle of their own choice rather than the standard cars offered by most rental firms. The Hertz Prestige Collection, for example, operates at selected locations in the U.S., Canada and around the world. The exclusive program offers many models of the world's finest cars, including Jaguar, Audi, Infiniti, Hummer and Volvo. It's not just the choice of cars, however. Hertz Prestige Collection service includes dedicated, on-site staffers to answer questions about the vehicles; free pick-up and return from many hotels and resorts; a special toll-free reservation number (800-654-2250); complimentary NeverLost®, Hertz's on-board navigational system; and a year of fee-waived membership in Hertz #1 Club Gold.

Hertz #1 Club membership is also the key to another new Hertz program: the ability to select and reserve brands and models of specific vehicles at 23 major airports across the U.S. The selection includes the Mazda 6 in the midsize class; a Mustang Coupe in the special sporty range; and even the ability to choose and reserve a Ford Explorer or Ford Expedition SUV.

THE BUSINESS-TRAVEL BUZZ ... IN LONDON

AT THE AIRPORT

Stansted Airport, which mostly offers low-fare flights from London to Europe, is getting service from the U.S. Two start-up airlines, Eos and Maxjet, have launched flights to Stansted from New York/Kennedy. Eos offers all-first-class flights. Maxjet is an all business-class airline ... London City Airport, the close-in commuter facility near Canary Wharf, has a new destination: Copenhagen. SAS Scandinavian now flies twice a day from London City Airport to the Danish capital ... Until December 31, British Airways Executive Club members earn enough miles from making a transatlantic roundtrip to claim two free economy roundtrips within North America. After each transatlantic roundtrip (or two one-way trips) in BA first or business, Executive Club members will be credited with a minimum of 50,000 miles. That's enough to earn the domestic tickets within the continental U.S. or Canada on American or Alaska Airlines. The only requirement: Travelers must be members of Executive Club and register at the BA.com Web site.

IN THE LOBBY

They don't call the Hilton Paddington "London's best-connected hotel" for nothing. Situated directly above Paddington Station, the hotel is just 15 minutes from Heathrow Airport via the Heathrow Express rail service. That means you can get to the Hilton Paddington faster than you can

get to most of the hotels on the grounds of Heathrow Airport. And the Hilton Paddington has the advantage of being in the heart of London's trendiest neighborhoods north of Hyde Park. The 355 guest rooms are all beautifully furnished; Executive Rooms are larger in size and have upgraded amenities such as bathrobes, slippers, walk-in showers and luxurious bath amenities, and executive-room guests have unlimited access to the Executive Lounge. The hotel also boasts a full-service fitness center, the Brasserie Restaurant and Steam, one of the hottest bars in London. Web site: www.hilton.com/paddington

AROUND THE TOWN

Food freaks, fussy chefs and freshness fanatics all descend on London's Borough Market on weekends to shop the 70 stalls and stands that overflow with England's best range of produce, fish, meats, vegetables, coffees, pastries and artisan cheeses and breads. When they're finished hobnobbing and noshing, they pop into Fish!, a glass-and-steel dining room set amid the frenzy and Victorian wrought ironwork of the market. Fish! is all about simply prepared, reasonably priced seafood. The Borough Market is located at 8 Southwark Street in the shadow of the southern end of London Bridge. The public weekend market operates on Fridays (noon to 6 p.m.) and Saturdays (9 a.m. to 4 p.m.). Web site: www.boroughmarket.org.uk



THE AIRPORTS

3 Get online, not on a line

Most major U.S. carriers now offer the option to check in for flights and secure your boarding pass online. Doing this routine task from the airline's Web site lets you skip a stop at the crowded airport check-in lines. And British Airways is pioneering the online boarding pass process for international flights. A full 23 hours before their flights, travelers heading to London from Los Angeles, San Francisco and Phoenix can now check in and receive their boarding passes through BA.com. Passengers with hand luggage can then go directly to the security area. Passengers with checked baggage can deposit their luggage at the BA Bag Drop facility at the airport and then proceed to the security area. By the end of November, passengers departing other British Airways gateway airports in North America will also be able to use the online boarding pass process.

9 Avoid making an enemy at the gate

Airline gate agents have an enormous amount of discretion, so don't abuse them. "Don't make an enemy of the gate agents, because they hold your destiny in their hands," says one former airline executive. "I've seen gate agents pass over business travelers when they were the log-skip upgrade candidate because those travelers were nasty to them. Be polite and courteous. That's what gate agents respond to."

10 Bag it before security

The only practical way to speed your way through security is to be prepared. Have a zippered plastic bag handy at all times and dump your pens, keys, mobile phone and other loose items in it before you reach the checkpoint. Then simply toss the bag in the plastic container. After you clear security, grab the bag and go. It's a *lot* faster than collecting dimes and quarters one by one.

11 Go to your phone, not the counter

Preprogram your mobile phone with the reservation numbers of the airlines you use most frequently. Then, if a storm delays your flight or your airline cancels your itinerary, you won't have to get in the long lines at the ticket counter. Simply call your airline's reservation line. The phone agents are not in the midst of the airport's crisis; they aren't dealing with hordes of disgruntled travelers and they can do anything an airport employee can do.

PACKING YOUR BAGS

12 Don't think pink

The best way to save time while traveling is to avoid checking bags. Restricting yourself to carry-on luggage means that you'll be able to arrive later for your departing flight and skip the long wait at baggage claim upon arrival. The best way to get down to carry-on weight is to limit your wardrobe for each trip to coordinating colors and mix-and-match outfits. Some travelers wear only black, white, blue or gray clothing on the road. If that's too monochromatic for you, at least skip the louder colors and exotic accessories that work with only one outfit.

13 Be prepared to travel

You know you're going to travel, so be prepared. Always have a prepacked toiletries kit ready and restock it immediately after every trip. Place all your travel cards — frequent-travel memberships, airport club memberships, instant-rental cards, and so on — in a dedicated travel wallet. Have an "on-the-road" set of your personal travel imperatives — a running outfit and shoes if you're a jogger, backup eyeglasses or contacts, or even your best-loved novel and a music player — and make sure all the gear is prepacked in your carry-on case.

14 Pack products for a pinch

Round out your toiletries kit by stuffing a few emergency products into the nooks and crannies: a tube of Krazy Glue, which is invaluable for everything from emergency eyeglass repair to instantly hemming a garment; a roll of duct tape; a miniature flashlight; and several large, zippered plastic bags, which are handy for everything from packing dirty laundry to protecting a sheaf of important papers.

Joe Brancatelli is editor and publisher of JoeSentMe.com, a noncommercial Web site for business travelers.

WEB DIRECTORY

British Airways

www.ba.com

Hilton HHonors®

www.hiltonfamily.com

Hertz

www.hertz.com

Homewood Suites by Hilton®

www.homewoodsuites.com

Out of the Box and Into the Space At Homewood Suites by Hilton

Homewood Suites by Hilton combats the traditional, confining, boxy hotel room with more space, more comfort and more thoughtful amenities business and leisure travelers prefer.



Business travelers who spend more than a night or two on the road need to think out of the box — the boxy, tight and constricting traditional hotel room, that is.

A hotel room might be fine for a brief stay, but business travelers who spend a few nights or longer in one place or families desiring a comfortable getaway know the traditional hotel box just doesn't cut it. Travelers need much more: more space, more comfort, more complimentary amenities and a more homelike atmosphere.

To the rescue comes Homewood Suites by Hilton, the hotel specifically designed to make guests feel at home — the hotel that provides travelers with all the comforts, convenience and privacy of home for the price of a traditional hotel room.

At the more than 160 Homewood Suites by Hilton hotels in the United States and Canada, guests enjoy studio, one- and/or two-bedroom suites with fully equipped kitchens. There's a unique Lodge area off the lobby and, at most locations, a 24-hour on-site Suite Shop® convenience store, meeting facilities, 24-hour business center and an exercise room. All guests can begin each day with a complimentary Suite Start™ hot breakfast. And they can wind down Monday through Thursday evenings with a Welcome Home® reception featuring a complimentary light meal and beverages (subject to state and local laws).

David Danto is a Homewood Suites by Hilton fan, both for business and personal reasons, and he's especially enamored of the daily complimentary Suite Start hot breakfast.

"We'll stay on vacations at Homewood Suites with our two boys and the complimentary breakfast is wonderful. It's well done," says the New Jersey-based technology expert in the financial industry. "Believe me, a great breakfast on the house saves a lot of money when you're on a family vacation."

Out-of-the-box solutions like the daily complimentary Suite Start hot breakfast are matched by the homelike, spacious accommodations. The guest suites at Homewood Suites feature enough space for work, relaxation and entertaining. Guests enjoy fully equipped kitchens featuring a full-size refrigerator,



microwave oven, coffeemaker, twin-burner stove, toaster, cooking utensils, silverware and a dining table that can easily double as workspace. There are spacious closets, irons and ironing boards. The tastefully decorated living areas are equipped with foldout sofas. The suites even feature a remote-controlled television and a videocassette player or on-demand movies.

"The suites are comfortable, plenty big," says Will Allen, a management consultant based in North Carolina. "Homewood Suites hotels represent a terrific value because you get the kind of space and comfort you get at home."

Travelers want to live as normal a life as possible on the road, of course. And while this can be difficult in a traditional hotel room, Homewood Suites by Hilton makes it much easier by offering a wide range of amenities and special services.

The center of each Homewood Suites hotel is The Lodge, where guests can relax and socialize. While visiting The Lodge, guests can choose from a wide selection of menu items at the daily complimentary Suite Start hot breakfast. The popular Welcome Home reception is a great place to share a complimentary light meal, indulge in a beverage and meet other guests.

"I think the biggest selling point that people don't know about Homewood Suites is the meals," says Diane Rockhold, an Iowa-based medical professional who recently spent almost a year at a Homewood Suites by Hilton hotel in Ohio. "You see everyone down at The Lodge every morning for breakfast and then you see them in the evenings at the reception. It's wonderful to feel like you're home, but you never have to cook."

Homewood Suites also offers other practical services that help guests relax and feel at home. For example, a copy of *USA Today*® is delivered to the suite each weekday morning. Most hotels offer on-site laundry facilities, a swimming pool



in-suite high-speed Internet access, guests can use their laptop computers in much the same way as they use their office equipment. And since each suite offers a dining table that doubles as a workspace, guests have ample room to spread out and work.



Travelers who need more business amenities can visit the on-site, 24-hour business center, a facility offered at most Homewood Suites by Hilton locations. Most hotels also offer meeting facilities that can accommodate up to 25 people. And each Homewood Suites hotel offers high-speed Internet access in the lobby and The Lodge, business center and main meeting rooms.

Homewood Suites participates in the Hilton HHonors® hotel guest reward program, which allows its members to Double Dip® by simultaneously accumulating both hotel points and airline miles with each qualifying stay.

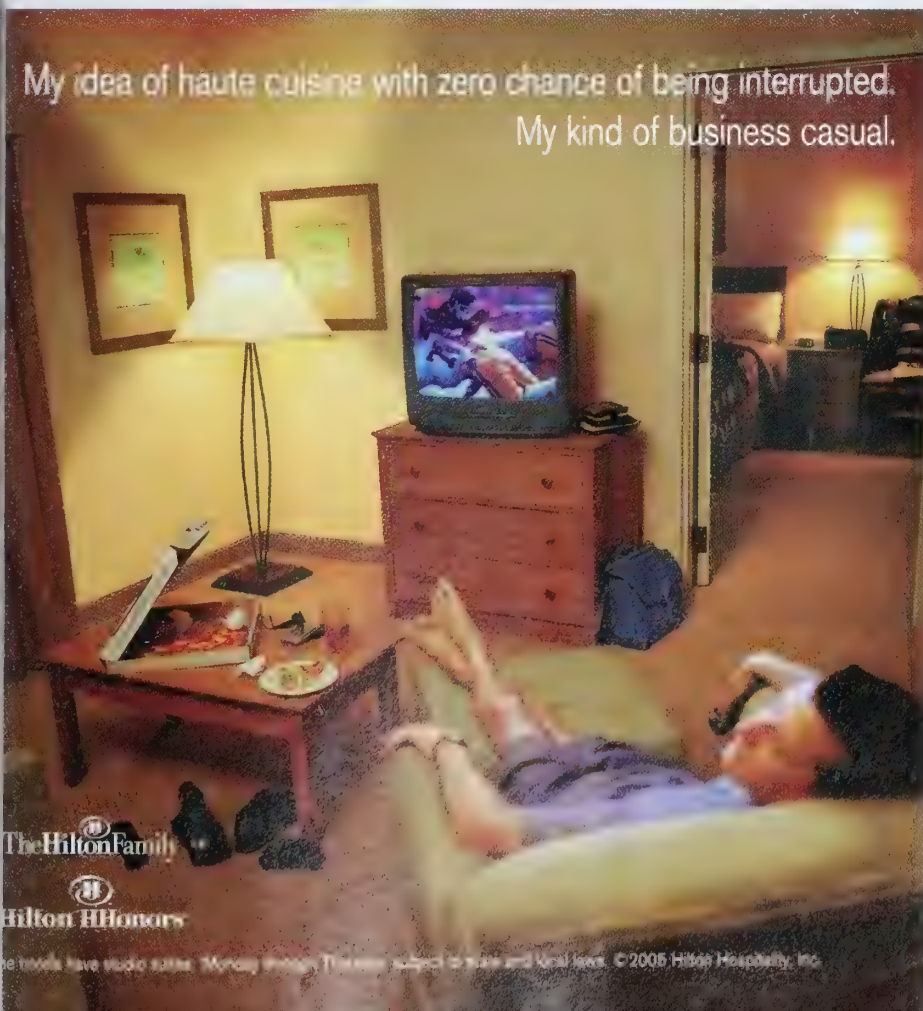
For information or to make a reservation at any Homewood Suites by Hilton hotel, travelers can visit homewoodsuites.com or dial 1-800-CALLHOME®.

Hilton HHonors membership, earning of Points & Miles®, and redemption of points are subject to HHonors Terms and Conditions. ©2005 Hilton HHonors Worldwide. ©2005 Hilton Hospitality, Inc.

a sports court. Every Homewood Suites hotel offers a complimentary grocery-shopping service (guest pays for groceries, other restrictions apply). And the new Hilton alarm clock not only features the hotel industry's best-to-set alarm, it also has a connection cable for MP3 players, iPods and other portable music players so you can play your own tunes.

Another common complaint echoed by many travelers is that an additional boxy hotel room isn't conducive for working. Once again, the outside-the-box thinking at Homewood Suites helps solve the problem.

Since all Homewood Suites hotels offer complimentary



My idea of haute cuisine with zero chance of being interrupted.
My kind of business casual.

My Homewood.

A living room, separate bedroom,* fully equipped kitchen and complimentary high-speed Internet access at all U.S. locations.

A complimentary hot breakfast every morning and a Manager's Reception† every weeknight. So you can feel at home even when you're not.

All for less than you might think.

Visit homewoodsuites.com,

or dial 1-800-CALL-HOME.®



MAKE YOURSELF AT HOME.®

The Hilton Family
Hilton HHonors

*Some hotels have studio suites. †Monday through Thursday. Subject to rules and local laws. ©2005 Hilton Hospitality, Inc.

Attack of the



Blindsided
Gregory Halpern
can't get Yahoo to
reveal who has
been attacking his
oddball company

ANDY GOODWIN FOR FORBES

Blogs

WEB LOGS ARE THE PRIZED PLATFORM OF AN ONLINE LYNCH MOB SPOUTING LIBERTY BUT SPEWING LIES, LIBEL AND INVECTIVE. THEIR POTENT ALLIES IN THIS PURSUIT INCLUDE GOOGLE AND YAHOO | BY DANIEL LYONS

Forbes

NOVEMBER 14, 2005



GREGORY HALPERN KNOWS HOW TO HYPE. SHARES OF HIS PUBLICLY held company, Circle Group Holdings, quadrupled in price early last year amid reports that its new fat substitute, Z-Trim, was being tested by Nestlé. As the stock spurted from \$2 to \$8.50, Halpern's 35% stake in the company he founded rose to \$90 million. He put out 56 press releases last year.

Then the bloggers attacked. A supposed crusading journalist launched an online campaign long on invective and wobbly on facts, posting articles on his Web log (blog) calling Halpern "deceitful,"

ROSS MACDONALD FOR FORBES

Attack of the Blogs

"unethical," "incredibly stupid" and "a pathological liar" who had misled investors. The author claimed to be Nick Tracy, a London writer who started his one-man "watchdog" Web site, our-street.com, to expose corporate fraud. He put out press releases saying he had filed complaints against Circle with the Securities & Exchange Commission.

Halpern was an easy target. He is a cocky former judo champion who posts photos of himself online with the famous (including Steve Forbes, editor-in-chief of this magazine). His company is a weird amalgam of fat substitute, anthrax detectors and online mattress sales. Soon he was fielding calls from alarmed investors and assuring them he hadn't been questioned by the SEC. Eerily similar allegations began popping up in anonymous posts on Yahoo, but Yahoo refused Halpern's demand to identify the attackers. "The lawyer for Yahoo basi-

"SOME OF THESE BLOGGERS HAVE JUST ONE GOAL, AND THAT IS TO DO DAMAGE. IT'S EVIL."

cally told me, 'Ha-ha-ha, you're screwed,'" Halpern says. Meanwhile, his tormentor sent letters about Halpern to Nestlé, the American Stock Exchange, the Food & Drug Administration, the Federal Trade Commission and the Brookhaven National Laboratory (involved in Circle's anthrax deal).

But it turns out that scribe Nick Tracy of London was, in fact, a former stockbroker in Oregon named Timothy Miles—and Miles himself faces SEC charges that he took part in a pump-and-dump stock scheme in 2000. He was tried in June and awaits a verdict. No matter: Circle Group stock fell below a dollar in a year of combat with Miles and the anonymous bashers on Yahoo (and after Nestlé dropped Z-Trim). Halpern's stake is down \$75 million, and he blames Miles and his acolytes; he has sued for defamation. "Some of these bloggers have just one goal, and that is to do damage. It's evil," he says.

Blogs started a few years ago as a simple way for people to keep online diaries. Suddenly they are the ultimate vehicle for brand-bashing, personal attacks, political extremism and smear campaigns. It's not easy to fight back: Often a bashing victim can't even figure out who his attacker is. No target is too mighty, or too obscure, for this new and virulent strain of oratory. Microsoft has been hammered by bloggers; so have CBS, CNN and ABC News, two research boutiques that criticized IBM's Notes software, the maker of Kryptonite bike locks, a Virginia congressman outed as a homosexual and dozens of other victims—even a right-wing blogger who dared defend a blog-mob scapegoat.

"Bloggers are more of a threat than people realize, and they are only going to get more toxic. This is the new reality," says Peter Blackshaw, chief marketing officer at Intellisearch, a Cincinnati firm that sifts through millions of blogs to provide watch-your-back service to 75 clients, including Procter &



Gamble and Ford. "The potential for brand damage is really high," says Frank Shaw, executive vice president at Microsoft's main public relations firm, Waggner Edstrom. "There is bad information out there in the blog space, and you have only hours to get ahead of it and cut it off, especially if it's juicy."

Some companies now use blogs as a weapon, unleashing



**"IT WAS
OBSCENE,
VILE STUFF.
THESE ARE
A BUNCH OF
SICKOS."**

Victim of a smear: Sara Radicati took a slap at IBM's Notes. Bloggers smacked back, "trying to disable my business," she says.

lawsuit against IBM, producing laughably biased, pro-IBM coverage; its origins are a mystery (see box, p. 136).

The online haters have formidable allies amplifying their tirades to a potential worldwide audience of 900 million: Google, Yahoo and Microsoft, plus a raft of other blog hosts. Google is the largest player; its Blogger.com site attracts 15 million visitors a month, more than each of the Web sites of the *New York Times*, *USA Today* and the *Washington Post*. An upstart, Six Apart in San Francisco, owns three blogging services—TypePad, LiveJournal and Movable Type—that together run a strong second to Google.

Google and other services operate with government-sanctioned impunity, protected from any liability for anything posted on the blogs they host. Thus they serve up vitriolic "content" without bearing any legal responsibility for ensuring it is fair or accurate; at times they even sell ads alongside the diatribes. "We don't get involved in adjudicating whether something is libel or slander," says Jason Goldman, a manager at Google's blogging division. In squabbles between anonymous bloggers and victims Google sides with the attackers, refusing to turn over any information unless a judge orders it to open up. "We'll do it if we believe we are required to by law," he says.

Attack blogs are but a sliver of the rapidly expanding blogosphere. A hundred thousand new blogs are created every day, more than one new blog per second, says Technorati, a firm in San Francisco that tracks the content of 20 million active blogs. Some big blogs attract millions of readers. Weblogs Inc., a Santa Monica, Calif. outfit that just got bought by America Online for a reported \$25 million, publishes 90 blogs and could bring in \$2 million in ad sales this year, says cofounder Jason McCabe Calacanis.

Bash-the-company Web sites emerged in the 1990s; Untied, founded in 1997 to carp at United Airlines, was one of the first. But blogs are more virulent; they spread farther and build on one another's allegations. The first blog is said to have gone up on Dec. 17, 1997 from a techie who wanted to log cool sites on the Web. By 1998 there were 23 known blogs. In 1999 the first

warms of critics on their rivals. "I'd say 50% to 60% of attacks are sponsored by competitors," says Bruce Fischman, a lawyer in Miami for targets of online abuse. He says he represents a high-tech firm thrashed by blogs that were secretly funded by a rival; the parties are in talks to settle out of court. One blog, Groklaw, exists primarily to bash software maker SCO Group in its Linux patent

Attack of the Blogs

tools to automate a site's design came out, making blogging easy for anyone. In 2003 the word "blog" made it into the *Oxford English Dictionary*.

The combination of massive reach and legal invulnerability makes corporate character assassination easy to carry out. Dry treatises on patent law and trade policy don't drive traffic (or ad sales) for bloggers and hosts; blood sport does. Last year consultant Sara Radicati published a negative report about IBM's Notes e-mail product. That led to organized outrage from bloggers who, it turns out, are consultants who make money installing Notes. She says her firm, the Radicati Group in Palo Alto, Calif., was deluged with obscene phone calls and e-mails, a common element when blogs go negative. "They were trying to disable my business," she says. "It was obscene, vile, abusive, offensive stuff. These are a bunch of sickos."

The anti-Radicati bloggers got an endorsement of sorts from an executive at IBM. Ed Brill, an IBMer who works on Notes marketing and publishes his own blog (edbrill.com), responded on July 23 last year to Radicati's bearish Notes report. He questioned whether she had ties to Microsoft and referred readers to two other blogs with far blunter assertions.

Within days bloggers had posted "investigative" articles "exposing" her as corrupt and unethical, claiming she was a "shell" who took bribes from Microsoft. One blogger said she was doing something shady by operating a group that helps small companies find venture funding. Bloggers linked to one another's sites and posted on Brill's blog and elsewhere, creating an echo chamber in which, through repetition, the scandal began to seem genuine. Six days after the attacks began, a Notes consultant in the U.K. gloated on Brill's blog: "The Radicati Group? Their analysis is now meaningless... Their name has been blackened, their reputation in tatters."

Radicati fought back by responding on her own Web site, but the smear job hovers online, appearing when you Google her name or start with Brill's mostly diplomatic site and then work your way through its links. One step away is IBM itself, which has a Notes site that once linked into Brill's. That link has since been taken down. Radicati says IBM ignored her pleas to stop Brill from linking to the hate sites. IBM says it has nothing to do with Brill's blog.



Nom de guerre: Fake journalist Nick Tracy, a.k.a. Timothy Miles.

"A BLOGGER CAN MAKE ANY STATEMENT ABOUT ANYBODY, AND YOU CAN'T CONTROL IT."

A week after that flap IBMer Brill fired up the swarm again, issuing a call to arms against research firm Meta Group for similar sins. "Y'all did such a good job on the last report..." his blog entry began. Sure enough, soon Meta was being "investigated" by bloggers and "exposed" as Radicati was. Gartner, which now owns Meta, declined to comment.

No wonder companies now live in fear of blogs. "A blogger can go out and make any statement about anybody, and you can't control it. That's a difficult thing," says Steven Downer, general manager of bike lock maker Kryptonite, owned by Ingersoll-Rand and based in Canton, Mass.

Last year bloggers posted videos showing how to break open a Kryptonite lock using a ballpoint pen. That much was true. But they also spread bogus information—that all Kryptonite models could be cracked with a pen; that it is the only brand with this vulnerability; and that Kryptonite knew about the problem and covered it up. None of these claims is true, but

Fighting Back

YOU CAN'T STOP BLOGGERS FROM LAUNCHING AN ALL-OUT attack on you or your business if that's what they decide to do—but you can defend yourself. Here's how.

MONITOR THE BLOGOSPHERE. Put your own people on this or hire a watchdog (Cymfony, Intelliseek or Biz360, among others). Spot blog smears early, before they can spread, and stamp them out by publishing the truth.

START YOUR OWN BLOG. Hire a blogger to do a company blog or encourage your employees to write their own, adding your voice to the mix.

BUILD A BLOG SWARM. Reach out to key bloggers and get them on your side. Lavish them with attention. Or cash. Earlier this year Marqui, a tiny Portland, Ore. software shop, began paying 21 bloggers \$800 per month to post items about Marqui, while requiring them to disclose the payments. Marqui's listings soared on Google from 2,000 to 250,000 results. Never mind that one blogger took the money and bashed a Marqui marketing strategy anyway.

BASH BACK. If you get attacked, dig up dirt on your assailant and feed it to sympathetic bloggers. Discredit him.

ATTACK THE HOST. Find some copyrighted text that a blogger has lifted from your Web site and threaten to sue his Internet service provider under the Digital Millennium Copyright Act. That may prompt the ISP to shut him down. Or threaten to drag the host into a defamation suit against the blogger. The host isn't liable but may skip the hassle and cut off the blogger's access anyway. Also: Subpoena the host company, demanding the blogger's name or Internet address.

SUE THE BLOGGER. If all else fails, you can sue your attacker for defamation, at the risk of getting mocked. You will have to chase him for years to collect damages. Settle for a court order forcing him to take down his material.

—D.L.

BE DIVERSIFIED

WITH ALL OUR MUTUAL FUND AND ETF CHOICES.

OVER 6,000 MUTUAL FUNDS
AND EVERY ETF SOLD
INCLUDING:



Vanguard



JANUS

Dreyfus

A GILLOFF FINANCIAL COMPANY

PIMCO

INVESTMENT MANAGEMENT

iShares

QQQ
NASDAQ-100
SYMBOL: QQQQ

SPDR

Rydex Investments

Essential for modern markets

Start with our wide range of investment choices, then use our powerful online tools, research, and expert advisors to select the right mix of investments for your portfolio.

Challenge the ordinary.

Be E*traordinary



Get a free portfolio review.

Call 1-800-731-5223 or visit etrade.com/superstore

E*TRADE
FINANCIAL

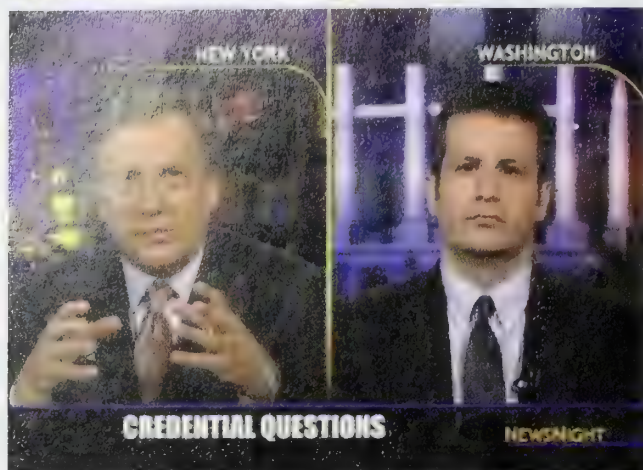
Should consider the investment objectives, risks, charges and expenses of a mutual fund or exchange-traded fund carefully before investing. The fund's prospectus contains this and other important information. For a current prospectus, please visit www.etrade.com/mutualfunds or visit the Exchange-Traded Fund Center at etrade.com/etf. Read the prospectus carefully before investing.

Investment Specialist Group provides advice on mutual funds, bonds, and asset allocation. Customers are required to complete additional forms and documentation in order to receive such services. Different commission structures may apply and in some cases may be less or more than the rates posted on the website.

Securities products and services are offered by E*TRADE Securities LLC, Member NASD/SIPC.

©2005 E*TRADE FINANCIAL Corp. All rights reserved.

Attack of the Blogs



Bloggers in prime time: CNN interviews AmericaBlog's John Aravosis.

year later Kryptonite still struggles to set the record straight, while spending millions to replace locks.

Even mighty Microsoft, for all its billions, dares not defy the blogosphere. In April gay bloggers attacked Microsoft over its failure to support a gay-rights bill in Washington State (the company is based near Seattle). "Dear Microsoft, You messed with the wrong faggots," wrote John Aravosis, publisher of AmericaBlog, which threatened to oppose Microsoft's plans for a big campus expansion unless the company caved in. Microsoft reversed itself two weeks later, saying it supports gay-rights legislation after all. It says pressure from its own employees, not from bloggers, caused the change of heart.

Microsoft's p.r. people have added blog-monitoring to their list of duties. The company also fields its own blog posse. Some 2,000 Microsofties publish individual blogs, adding a Microsoft voice to the town square. The company also treats some bloggers like bona fide journalists, giving Gizmodo.com and Engadget.com interviews with Bill Gates.

But if blogging is journalism, then some of its practitioners seem to have learned the trade from Jayson Blair. Many repeat things without bothering to check on whether they are true, a penchant political operatives have been quick to exploit. "Cam-

EXPANDING BLOGOSPHERE

50 MILLION Number of U.S. Internet users who visited a blog in the first quarter of 2005.

15 MILLION Visitors to Google's Blogger.com in September.

21% Share of ad partnership program revenue that Google kept in 2004; up from **9%** in 2002.

100,000 Number of new blogs created every day.

50% TO 60% Portion of blog attacks that are sponsored by a business rival.

2,000 Number of Microsoft employees who publish blogs.

Sources: Comscore; SEC filings; Technorati; attorney Bruce Fischman; Microsoft.

paigns understand that there are some stories that regular reporters won't print. So they'll give those stories to the blog, says Christian Grantham, a Democratic consultant in Washington who also blogs. He cites the phony John Kerry/secret girlfriend story spread by bloggers in the 2004 primaries. The story was bogus, but no blogger got fired for printing the lie. "It's not like journalism, where your reputation is ruined if you get something wrong. In the blogosphere people just move on. It's scurrilous," Grantham says.

And though they have First Amendment protection and a posture as patriotic muckrakers in the solemn pursuit of truth, the blog mob isn't democratic at all. They are inclined to crucify dissent with the "delete" key. When consultant Nick Wreden criticized credit card banking giant MBNA on his blog, a reader responded in support of MBNA. Wreden zapped the commenter. "I just thought: 'This has to be a plant,'" he says.

"It almost takes on the feeling of a crusade," says Jeffrey Schneider, a vice president at Walt Disney Co.'s ABC network. "They put out a call to arms: 'We're going to take these guys down, and we won't stop blogging until someone loses the head.'" ABC News correspondent Linda Douglass came under a

tack from rampaging bloggers last March in covering the Terri Schiavo right-to-die case. She had cited a controversial memo written by a Republican staffer. Right-wing bloggers using such pen names as Right Pundit and Mr. Right (the latter hosted by Google) claimed she had fallen for a fake; the memo was real.

In that case the blogger slinked away. In the case of CNN executive they didn't stop until they had claimed a casualty.

Eason Jordan, chief news executive at CNN, noted at an off-the-record conference in January that journalists had been killed by U.S. troops. He used a touchy word: "targeted." A blogger present, Rony Abovitz, ignored the off-the-record ground rule and posted an account. Other bloggers soon piled on. One created a site solely devoted to the topic, easongate.com.

Jordan instantly and repeatedly denied the assertions, but the blog hordes kept wailing away. Jordan resigned in February, engulfed by a concocted controversy. Blogger Michelle Malkin crowed online, praising nine other bloggers and "legions of smaller" ones in the hunt. She wrote that the mainstream media "calls it a lynch mob. I call it a truth squad" and included a warning: "Cue the Carpenters music: 'We've Only Just Begun.'"

Even some bloggers see the harm they can pose. "Some people in the blogosphere are too smug about free speech. They'll say it's okay if people get slandered or if people make up fake stuff because in the end the truth wins out," says John Hinderaker, a lawyer in Minneapolis, Minn. who helps run a right-wing blog, Power Line, which hounded CNN's Jordan and CBS anchor Dan Rather. "But I don't think that excuses it."

HOW CAN YOUR BANK

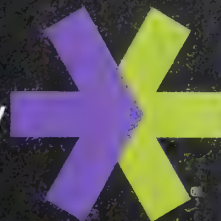
BE BETTER?

ADD E*TRADE BANK

AND GET THE ADVANTAGES OF
A TRULY NATIONAL BANK.

Challenge the ordinary.

Be E*traordinary



It's easy.

Step 1: Keep your local bank for everything local.

Step 2: Then open an E*TRADE Bank Money Market Account and get:

- * **No ATM fees at 370,000 machines**
At any bank, anywhere, with unlimited refunds¹
- * **Quick Transfer funds**
Easily between your local bank and E*TRADE Bank with a point & click²

3.65% APY
Money Market account
for three full months²

Call 1-877-925-2434 or visit etrade.com/mm

E*TRADE
FINANCIAL

E*TRADE Bank will not charge you a fee for withdrawing funds from any ATM nationwide but the owner/operator of the ATM may. This feature will refund the fees charged by the ATM owner/operator on all ATM fees. In the event of fraudulent or clearly excessive use of the feature on a given account, E*TRADE Bank reserves the right to remove the feature. Withdrawal limits apply. Under Federal regulations related to these types of accounts, account holders are allowed six withdrawals or transfers from their account in any calendar month (ATM withdrawals excluded), a maximum of three withdrawals by check.

The E*TRADE Money Market Account is offered by E*TRADE Bank. Annual Percentage Yield (APY) of 3.65% is good for 90 days from the date the account is opened and funded. Accounts must be opened by December 31, 2005 to qualify. This offer is only good for new E*TRADE Money Market Account customers and for existing Money Market Account customers who transfer at least \$25,000 in funds from an external (i.e., non-E*TRADE) account into their existing E*TRADE Money Market Account. E*TRADE Bank retains the right to withdraw the 3.65% introductory APY from any account at any time if these conditions are not met. Offer applies to one new account per customer. A \$100 minimum deposit is required to open a new E*TRADE Money Market Account and account holders must maintain a minimum average monthly balance of \$1,000, or \$5,000 in total E*TRADE Bank deposits, by the end of their second statement cycle to avoid a \$10 monthly fee. A \$10 inactivity closeout fee will be assessed if account is closed within 120 days of opening. After the 90-day introductory period, customers will receive the current APY based on account balance. Current as of 12/12/05, accounts with balances of \$100,000 or more earn 3.00%, those with \$50,000 - \$99,999 earn 3.00%, those with \$5,000 - \$49,999 earn 2.20% and those with less than \$5,000 earn .30%. For example, if an account is opened with \$5,000 and the introductory offer is a 3.65% APY for 90 days, account will yield 3.65% for 90 days. For balances of \$5,000 - \$49,999, the current yield for the non-introductory period is 2.20%. Therefore, the blended APY for the first year after account opening is 2.56%. APY is subject to change daily and fees will reduce earnings. For details and important information about Quick Transfer, please visit etrade.com/quicktransfer for a listing of the limitations, restrictions and time deadlines associated with this service.

Lending and lending products and services offered by E*TRADE Bank, a Federal savings bank, Member FDIC, or its subsidiaries. Bank deposits are FDIC insured up to \$100,000. © 2005 E*TRADE FINANCIAL Corp. All rights reserved.

Member
FDIC

Attack of the Blogs

When Hinderaker published an item saying left-wing bloggers should stop assaulting a White House reporter alleged to have worked as a gay prostitute, his blog brethren went on the assault, publishing his phone number at work and prompting a deluge of harassing phone calls and e-mails. "My secretary was crying" because callers kept swearing at her, he says. "Then we started getting calls at the house. My wife wanted to hire a bodyguard."

Google and other carriers shut down purveyors of child porn, spam and viruses, and they help police track down offenders. So why don't they delete material that defames individuals? Why don't they help victims identify their attackers? Because they are protected by the Communications Decency Act of 1996, which frees a neutral carrier of Internet content from any liability for anything said online.

"Blogging is still in its infancy. Imposing regulations would create a chilling effect," says Annalee Newitz, until recently a policy analyst at the Electronic Frontier Foundation, a non-

profit that defends anonymous attackers. The anonymous assault has a long tradition in American political discourse, recognized by a U.S. Supreme Court ruling in *McIntyre v. Ohio Elections Commission* in 1995 and in a recent decision by the Delaware Supreme Court refusing to force an Internet service provider to disclose who called a small-town politician inept.

"IMPOSING REGULATIONS WOULD CREATE A CHILLING EFFECT."

less like a phone company and more like a mix of reality and an online magazine. Bloggers provide the fare, and Google maintains it for them free of charge, sometimes selling ads.

Google says ad revenue isn't the point. The real aim is "to let users embrace the Web as a medium of self-expression,"

But even the Constitution doesn't give a citizen the right to unjustly call his neighbor a child molester. Google and the like argue they bear no moral responsibility for content that a phone company does filter as slander over its wires. But Google's blog business looks

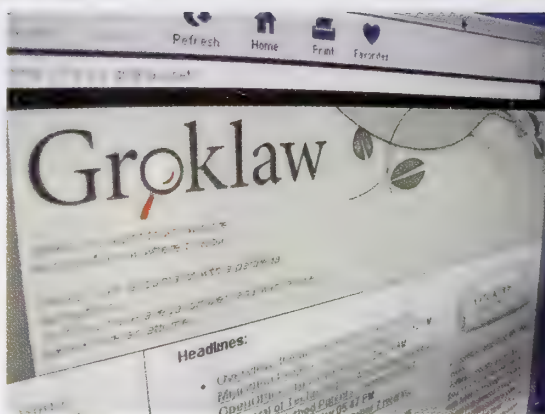
Who is Pamela Jones?

THE BLOG MOB LOVES TO SPOUT OFF about First Amendment freedom, except when it seeks to deprive foes of the same. And so it was that bloggers came to the defense of one of their own—a mystery woman named Pamela Jones—and succeeded in having a story about her retracted and getting its author all but fired.

Jones has become a star in the blog-riddled Linux software movement. Her blog, Groklaw, sprang up in 2003 to cover a Linux-related lawsuit that software firm SCO Group had filed against IBM. It cranks out lengthy articles, and it archives every document filed in the case.

Jones describes herself as a journalist, yet her blog is unabashedly pro-IBM, insisting from the start that SCO's claims are groundless. She won't discuss her background or reveal where she lives or even confirm that Pamela Jones is her real name. Her Web site is registered through a proxy service in Arizona that shields her identity. PJ (her nickname) lists no phone number and won't say how she funds her operation.

SCO executives call Groklaw a "mouthpiece" for IBM, though IBM says it isn't involved with Jones in any way. Last year Jones' blog published an IBM legal docu-



ment two days before the court made it public, a sign that it likely was leaked by lawyers involved in the case. IBM's outside lawyers in the case won't comment.

In February an intrepid reporter, Maureen O'Gara, decided to uncloak the mystery after she found a phone number Jones had left with staff at the federal courthouse in Nevada where a related SCO suit was filed. O'Gara traced the number to an apartment in Hartsdale, N.Y., 10 miles from IBM headquarters in Armonk. O'Gara spoke to the building superintendent and later found Jones' mother in Connecticut, but she never got hold of the shy blogger herself.

When O'Gara's story about her quest appeared in *Linux Business News*, an on-

line magazine, indignant bloggers went on the attack. They said the story was unethical and demanded that the site take it

down. (So much for free speech.) When the site's publisher, Sys-Con Media, refused, anonymous callers bombarded employees with obscene phone calls and e-mails. They also badgered Sys-Con's advertisers to get them to pull ads from Sys-Con sites. Hackers shut down Sys-Con's Web site for four days, robbing it of \$200,000 in ad revenue.

So Sys-Con caved in, yanking the story and agreeing to forgo articles written by O'Gara. "What are my options? We have criminal people who were taking us hostage, trying to destroy my business," says Sys-Con Chief Fuat Kircaali.

Jones responded by penning a pious thank-you to her defenders. "My faith in the human race is restored," she wrote. "It means so much to me to know that there is still a line, an ethical line, and some things we agree we ought never to do to a fellow human."

Maureen O'Gara remains banned from publishing articles on Sys-Con's 16 sites. And Pamela Jones remains shrouded in mystery.

—D.L.



Don't hesitate to reach for it.

The biggest deal of your career. The one you'll always be remembered for.

Who else would you trust with that?

Global Banking | Global Capital Markets | Global Transaction Services

citigroup 
corporate and
investment banking

Attack of the Blogs

spokesman says. Google lets them run wild. Yet Google edits and censors blog content all the time—to protect its own interests. The company, whose portentous corporate ethos includes the mantra “Don’t be evil,” snuffs out blogs that engage in “phishing” (tricking people into revealing confidential information) and “spam blogs” that skew Google’s search results. Bloggers who sign up for its ad program (Google passes along 79% of sales, on average) must follow firm Google guidelines that limit references to drugs, alcohol, tobacco, gambling and even “excessive profanity.”

Once blogger attacks begin, victims can resort to libel and defamation lawsuits, but “filing a libel lawsuit, the way you would against a newspaper, is like using 18th-century battlefield tactics to counter guerrilla warfare,” says David Potts, a Toronto lawyer who is writing a book on cyberlibel. “You’ll accomplish nothing and just get more ridicule.” He tells clients to find a third party to bash the bloggers.

Gregory Halpern at Circle Group, in Mundelein, Ill., used this approach against his nemesis, Nick Tracy, a.k.a. Timothy Miles. After the first attack Halpern contacted the blogger’s lawyer but got nowhere. He demanded a correction, only to get mocked: Miles posted on his blog an audio file of a perturbed message Halpern had left on his voice mail.

Halpern had better luck, however, when he allied with Gayle Essary, who runs the FinancialWire online news service and had tangled with Miles, too. Halpern dug up details on

Miles (his photo and Oregon driver’s license; his links to litany of questionable companies; his claim to be an ordained minister; his Web site that describes a mysterious crystal that contains a message from God) and fed them to Essary. Essary did 15 articles on Miles without citing Halpern as a source, and when Halpern heard from people asking about Miles’ allegations against Circle Group, he referred them to FinancialWire, saying it had “exposed this guy a long time ago.”

Halpern also used a new law, the Digital Millennium Copyright Act, which requires hosts to take down copyrighted material used without permission. He confronted Miles’ service

“FILING A LIBEL LAWSUIT IS LIKE USING 18TH-CENTURY TACTICS TO COUNTER GUERRILLA WARFARE.”

provider and threatened to sue for copyright infringement and libel; the ISP pulled the plug. But our-street.com emerged days later at a second service. In three months Halpern pursued Miles through nine ISPs, finally giving up and filing a libel suit in state circuit court in Cook County, Ill. in June 2004. He accuses the blogger of orchestrating a short-seller scheme to send Circle stock plunging. Miles insists he never sold short or acted on behalf of short-sellers.

Miles, who says he misrepresented himself as Nick Tracy because “I wanted to be discreet,” has abandoned our-street.com

and moved from Oregon to Slovenia. He claims he is outside the Illinois court’s jurisdiction. The judge disagrees. Miles says he plans to appeal. He has set up a new site, scamspotting.com, and insists he is a bona fide investigative journalist: “I tell the truth and it’s never pretty.” This drives Halpern nuts. “It’s amazing that an anonymous guy can put out a report full of lies and then be so self-righteous.”

After anonymous attacks spread to Yahoo, Halpern moved in court to force Yahoo to reveal who was behind the sniping. In September a state judge in Illinois ordered Yahoo to reveal the names. A lawyer for the secret posters is trying to settle without turning over their names, Halpern says. Yahoo declines to comment on the case, but Halpern argues that Yahoo and other carriers should step up: “They make money selling ads on these message boards, and the controversial material generates the most traffic. So they’re benefiting from this garbage. I think they should take responsibility for it.”

Halpern has had less luck getting anyone in Congress to listen to his plaint. He says that may change if a few politicians get a taste of what he has gone through. “Wait until the next election rolls around and these bloggers start smearing people who are up for reelection,” Halpern says. “Maybe then things will start to happen.” **F**

A BRIEF HISTORY OF BLOGS

December 1997

Jorn Barger invents term “weblog” to describe his own Web site.

December 1998

An inventory of all known Web logs is taken; it tallies all of 23 sites.

April 1999

Peter Merholz coins shorter term: “blog.”

August 1999

Pyra Labs launches Blogger, a free blog-hosting service.

October 2001

Six Apart releases Movable Type for making blogs.



December 2002

Political bloggers drive Trent Lott from Senate majority leader post over allegedly racist comments.

February 2003

Google buys Pyra Labs and its Blogger.com; becomes world’s top blog host.

March 2003

Oxford English Dictionary lists “blog” as a noun and a verb.

September 2003

Worldwide blog count soars to 1 million.¹

August 2004

Bloggers are cleared to cover U.S. political conventions.

May 2005

Blogosphere explodes to 10 million blogs.¹

September 2005

Google introduces blog search feature.

November 2005

Blogosphere doubles in size again; now at 20 million outposts.¹

¹As compiled by Technorati. Sources: Technorati; Rebecca Blood; Six Apart; Oxford English Dictionary.

Get Results With Oracle Applications

"51% decrease in T&E reporting costs"

*MasterCard
International*



"\$17 million savings in 30 months"

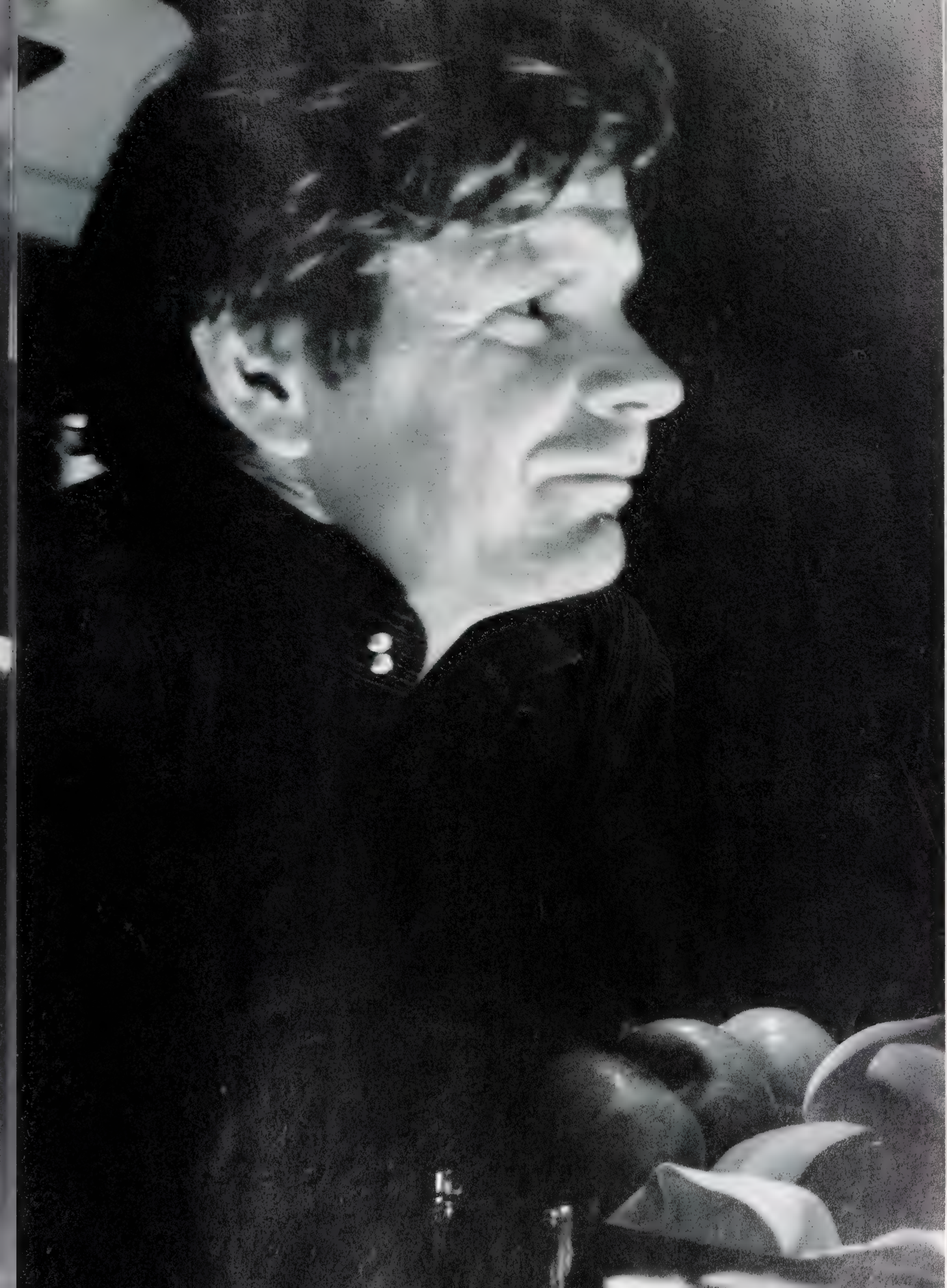


The Best Companies Run Oracle

ORACLE®

**oracle.com/best
or call 1.800.968.4664**





Held Hostage In China

DAVID JI used a few good contacts in his homeland to build a billion-dollar business selling cheap DVD players in the U.S. Then he crossed a supplier—and disappeared. By Stephane Fitch

THE VIDEO IS DULL AND GRAINY, BUT IT SHOWS REAL-LIFE DRAMA: A COME-uppance for David Ji, a celebrated U.S.-bred entrepreneur who built a billion-dollar business importing dirt-cheap DVD players from a booming China, where he was born, and selling them at Wal-Mart and Circuit City stores in the U.S., his adopted home for two decades. As the camera rolled last December, Ji—a U.S. citizen held against his will in Shanghai by the authorities—glumly says he has signed over control of his company, Apex Digital, to a government-owned supplier that has accused him of a massive fraud.

In the video, an exclusive copy of which can be viewed online at forbes.com/hostage, Ji, age 53, is surrounded by his accusers in a spare condominium owned by the supplier, Sichuan Changhong Electric. A Changhong representative helpfully prods him along. The supplier insists Ji has waffled on paying \$470 million for millions of U.S.-bound DVD units and TV sets it shipped to Apex, further charging that he kited \$85 million in bogus checks.

What the video doesn't show is this: The day before, an uncooperative Ji, flanked by guards, was taken to see Changhong's senior management, Ji's lawyer says. Inexplicably, agents snipped the buttons off of Ji's shirt and pants, and as he stood there, humiliated and barefoot and holding on to his trousers so they wouldn't fall down, a Changhong senior executive told him: "I decide whether you live or die."

David Ji has spent nearly a year in custody in China without being charged with a crime. Changhong officials, meanwhile, have filed a breach-of-contract lawsuit in Los Angeles county court and are trying to take control of Ji's company. "I'm afraid I'm never going to see David again," says his business partner, Anle Hsu, 42, who works in vain from Los Angeles for Ji's release. He can't bring himself to watch the videotape of his

After days in isolation
Ji signed over his company
to his Chinese supplier.

Highlights from the videotapes
are available at **Forbes.com.**





once-thriving partner. "I don't dare look," Hsu says. "My heart is broken."

As his dispute with Changhong worsened last year, Ji ignored an adviser's warning and blithely flew to Shanghai in October 2004, confident his China contacts and his own stature would protect him. On the morning of Oct. 23, as Ji was staying at a hotel in Shenzhen, Changhong officials, escorted by police from their home city of Minyang, accosted Ji in his room and took him away, an employee traveling with him later said.

Ji disappeared. For the next two months his wife and grown daughter, back home in Walnut, Calif., and his partner, Hsu, frantically called the State Department and their contacts in China. They could learn nothing. Later it became known that Ji had been shuttled from Shenzhen back to Minyang, jailed for a month and brought back to Shanghai on a grueling, 40-hour train ride. He was put up in the condo owned by Changhong, ready for his closeup.

In August Ji was granted a *qubao houshen*, a type of noncustodial detention akin to getting out on bail. But he is prohibited from returning to the U.S. and barred from visiting the U.S. Embassy or consulting with his U.S. lawyers (or any journalist) about his case. His daughter, 27-year-old Jean Ji, says Dad overplayed his hand. "My father was born in China, and he knew the country, the politics and the system," she says. "He wanted to use that to build the number one company in the U.S. He was so confident. He didn't predict this."

This is the dark side of doing business in a booming China, where government often is your partner, the lines between state and enterprise are blurry and respect for defendant rights is spotty at best. In the U.S. a spat over bills owed to a supplier can get you sued; in China it can get you jailed for months before any charges are filed. David Ji is one of a dozen or so U.S. businessmen detained without due process in the past decade in China (see box, p. 148). An implicit racism is evident in these cases: Most of the jailed execs are Asian-Americans, and even U.S. citizens get held.

The Chinese attitude is "Hey, you are,

David Ji has been held in China for more than a year now.

"I decide whether you live or die," a Changhong senior executive told him.

at least ethnically speaking, Chinese. You should know how the system works," says John T. Kamm, founder of Dui Hua, a nonprofit group in San Francisco that helps people wrongfully imprisoned in China. "These cases are many, and the business world should be troubled by them," says Jerome Cohen, a New York University professor who specializes in China's legal system. He has advised Ji's defense. "Many of these cases never get reported," he adds, citing "interference from local police, prosecutors and corrupt judges occasionally cooperating with local powerholders."

A spokesman for the Chinese consulate in Los Angeles says, "This is a business dispute, but it is also a fraud. David Ji is being investigated for cheating people with bad checks." He denied "rumors" that Ji has been mistreated. "This is simply not true. We treat everyone arrested in these cases in the most humanitarian way."

The U.S. State Department hasn't gone public to demand Ji's release. U.S. consular officials in China have met with Ji regularly, huddling with him as recently as Oct. 21, to

no avail. "When an American travels abroad, they are under the laws of the host country," says State Department spokeswoman Ang Aggeler. "So we have to work within that framework."

David Ji was born Long Fen on Aug. 5, 1952, in Jintan, Jiangsu Province. His parents were peasant farmers working government land, and his three siblings still farm there. At age 20, he left to attend Fudan University in Shanghai, majoring in English and American literature. He soon married Liu Ru Ying, an engineer at Shanghai Tel. In 1980, he landed a clerical job at the U.S. Consulate in Shanghai. In 1984 he joined Alcatel Shanghai Bell.

In 1987 Ji left his wife and daughter Jean behind in Shanghai and moved to the U.S., enrolling at a community college in Los Angeles and painting bathroom doors for minimum wage. By 1992 he had a job selling scrap metal from the U.S. to manufacturers in China. He soon befriended Anle Hsu, and the two struck out on their own, eventually importing China-made stereo speakers and selling them to car-accessory shops. In 1999 Ji finally could afford to bring his wife and daughter to live with him in America. In 2000 he became a citizen.

That same year the DVD market began to soar, and Ji worked his China contacts to line up his first supplier and began shipping truckloads of cheap players to Circulo City. Sony, Panasonic and Philips were selling players for \$400 or more. Ji came in at less than half that price; his supplier was subsidized by the Chinese government. Orders exploded, and Ji expanded to four vendors, including Changhong, and began selling to Wal-Mart and Best Buy.

Changhong, a former defense contractor that had made screens for military systems, had become the biggest domestic maker of TV sets for local markets. It

WI-FI WORKS HERE.

**BUT WHAT IF YOU WANTED
TO WORK HERE?**



**UNLIMITED
BroadbandAccess**
now at a great price of

\$59⁹⁹ monthly access

Offer valid on 2-year Customer Agreement with qualifying voice plan.

**Don't be limited by Wi-Fi hotspots.
Enjoy the freedom of Verizon Wireless BroadbandAccess,
the nation's largest high-speed wireless broadband network.**

Wi-Fi only works in limited locations, while BroadbandAccess works coast to coast in over 60 metropolitan areas, covering over 140 million Americans. And unlike Wi-Fi, BroadbandAccess has wide-area coverage and secure CDMA technology, so you have the freedom to work where it's convenient for you. Connect to the Internet, company intranet, or email and download critical information and access business applications at average speeds between 400-700 kbps. Now you can work when you want, in more places nationwide. And if you're traveling internationally, we now have a global data card.

Call our business reps at 1.800.VZW.4BIZ or go to verizonwireless.com.

Our surcharges (incl. 2.18% Federal Universal Service (varies quarterly), 5¢ Regulatory/line/mo., & others by area) are not taxes (details: 1-888-684-1888); gov't taxes and our surcharges could add 6%-33% to your bill. Activation fee: \$20/2 yrs. IMPORTANT CONSUMER INFORMATION: Subject to Customer Agreement, Calling Plan & credit approval. \$175 termination fee, other charges & restrictions. Requires compatible PC card or phone (purchased separately). Offers, coverage & service not available everywhere. Speed claim based on our network tests with 5MB FTP data files, without compression. Actual speeds and coverage vary. Coverage limitations & maps at verizonwireless.com. Limited time offer.

Teamed
with



Lucent Technologies

verizonwireless

We never stop working for you.®



Jean Ji finds herself cut off from her father once again.

publicly traded but 54%-owned by China's government. Changhong and the three other Apex vendors had to retool factories to make a common DVD player. Yet Ji had no financing. He had persuaded his suppliers to front him the inventory and wait six months to a year to be paid, after he had collected from retailers.

"Our vendors needed to be financially strong enough to grow with us, and they had to finance themselves," Hsu explains.

By year-end 2000 Ji and Hsu had sold \$50 million worth of DVD players, and sales were set to more than double in 2001. In 2002 Apex exceeded \$500 million in annual revenue, and Ji and Hsu drew glowing profiles in the U.S. press (including *FORBES*, Mar. 18, 2002), as *Time* magazine and its cable sibling, CNN, named them to a list of 15 "global business influentials." Ji had funded the startup and owned an 83% stake; Hsu held the remainder.

But they were rookies in this business, and they made a grave miscalculation. The price of DVD players was plunging, yet they hadn't inserted any price protection in the contracts they signed with their makers. The price of Apex's cheapest DVD player had fallen to \$70, yet its orders were placed

so far in advance—up to nine months ahead of shipping—that Apex got squeezed between what it had agreed to pay suppliers and the ever-declining prices that U.S. retailers were willing to pay to Apex.

Yet Apex, undaunted, vastly expanded its business with Changhong, selling 1.5 million cheap Changhong TV sets in the U.S. market in 2002. By April 2003 Apex had paid Changhong \$250 million, but the maker insisted Apex owed it an additional \$411 million. Ji said no way: He had docked Changhong for late deliveries, repair costs, returned shipments, mislabeling and other shoddy work. He only paid out another \$59 million.

This is where things got touchy. Changhong had recovered from rough times, its stock tumbling from \$3.35 to 86 cents but rebounding to the \$1.25 range. Ni Runfeng, the chief executive, was being hailed as a hero in China. News that it might have to write off \$350 million would be a bad setback. But Ji had a close working relationship with Ni, and they trusted each other, so they compromised: Changhong could book the bill as a massive receivable, and they would work it out later, says Hsu.

Ji, unwisely, also agreed to Ni's request

that he sign 37 checks totaling \$8 million, which Ni wanted to hold as security but promised not to cash; this way Changhong could reassure bankers and shareholders, Hsu says. Later those checks would get Ji in deep trouble.

Changhong's lawyer in the U.S., Jack C. Auspitz of New York, says there is "no evidence" of any kind of "wink and nod" agreement between Ji and Changhong. Ni. Ji is "saying 'I was knowingly participating in a fraud.' It shows you what kind of guy he is," Auspitz says.

Still, Changhong continued expanding its exposure to its late-paying customer, doubling TV set shipments to Apex to 3 million units, Hsu says. By early 2004 said Apex owed it more than half a billion dollars. That April the U.S. Department of Commerce cited Changhong for dumping artificially underpriced TV sets on

the U.S. market, slapping it with a 24.5% tariff. By July of last year Ni, David Ji's ally, was forced out amid scrutiny from Changhong's bankers and the local press.

Ni was replaced by a former rival—Zhao Yong, who had reportedly left Changhong years earlier in a clash with Ni, becoming the vice mayor of Minyang. Zhao demanded that Apex pay up at once.

Ji was unfazed, even after an adviser warned him that he risked being arrested if he didn't placate his big supplier. "I know how business is done in China, and you don't," Ji responded, as the adviser, who later left Apex, recalls the conversation. In October 2004 Ji and a purchasing director flew to Shanghai to line up orders for Wal-Mart in time for Thanksgiving weekend.

A week later Ji had traveled to Shenzhen, checking in at the Grand Skylight Hotel. Confident he could appease Changhong's new chairman, Ji called Zhao from his hotel room on Oct. 22 and set plans to meet him on the 24th. The next morning Minyang police burst into Ji's room on the 18th floor and arrested him.

It took weeks for his supporters to piece together what happened next. A day after his arrest Ji was taken to Minyang and held



WE'RE IN IT FOR THE LONG TERM WITH YOUR NEST EGG. In a world where so many have an eye on the next quarter, we prefer to focus on the next decade. Even the next generation. Because we've learned nothing keeps a relationship strong like a disciplined long-term plan built from objective financial advice. Visit agedwards.com or call 866-379-4243.



A.G. EDWARDS.
FULLY INVESTED IN OUR CLIENTSSM

The China Syndrome

Chinese-Americans lead the charge into the world's hottest economy. Some of them end up in jail.



JUDE SHAO, 43

HOME: San Francisco

ARRESTED: April 1998

STATUS: Still incarcerated

Earned M.B.A. from Stanford. Founded China Business Ventures in San Francisco to sell MRI and CT machines to China. In 1998, after a "special tax audit" in Shanghai, refused to pay a one-time \$60,000 tax bond and was arrested, charged with tax evasion. Sentenced to 16 years in prison. Held now for seven years, despite report from six Chinese legal experts showing Shao paid taxes and was denied due process. Shanghai courts have denied his appeals.



XIE (CHARLIE) CHUNREN, 56

HOME: Somerset, N.J.

ARRESTED: May 2005

STATUS: Released September 2005

Quit computer job to found natural products exporter. Sold

\$3 million of U.S.-made vitamins and supplements to China. Arrested at Chengdu airport on suspicion of spying for Taiwan, despite having no business or political ties there. Claims he was interrogated over three months, sometimes for 12 hours a day. Released after pressure from State Department, but he lost most Chinese contracts due to press accounts of alleged spying.



FONG FUMING, 70

HOME: West Orange, N.J.

ARRESTED: February 2001

STATUS: Released October 2003

Worked as a consultant for foreign power companies in China. Arrested on business trip to Beijing, accused of paying \$245,000 in bribes for secret documents. Disputed charges and claimed he was extorted by a local official. Held 20 months without a trial, according to Human Rights Watch. Eventually sentenced to five years in prison. Released three and a half years early after exhibiting "repentant behavior."

—Evan Hessel

in isolation for a few days at a detention center. Changhong began questioning him, and on Oct. 29, 2004 they made a first videotape of Ji, in the company of lawyers he didn't hire purporting to represent him, obligingly signing over ownership of Apex and his California house to Changhong if he failed to pay up.

Thereafter Ji remained in jail in Minyang; police said they were holding him for those bad checks. Yet no formal charges were filed, and in early December he was returned to Shanghai and put up in the Changhong condo. On Dec. 13 Changhong representatives descended on Apex offices near Los Angeles, citing the documents with Ji's forced signature and demanding access to Apex files. When Ji's partner, Hsu, refused, Changhong sued in Los Angeles county court; the case is pending.

To bolster Changhong's case, attorneys for Zhao (the new chief) wanted a second videotape made, this one in English to show Ji confirming the sign-over of assets in the first tape, Hsu says. Ji balked, leading to the button-cutting incident and lecture and the second taping a day later, on Dec. 30, 2004. On camera Ji obediently says he isn't under

arrest—he has been "invited" to stay in Shanghai to sort out the spat over bad checks.

Leading the session was Changhong's U.S. attorney, Charlie Wang of Cadwalader Wickersham & Taft, who tells Ji, "You don't want your U.S. company making any mistake of not following your instructions." Ji nods warily. (Apex lawyers complained that Wang's actions were unethical. Cadwalader resigned from the case in March and Wang no longer works there, though the firm won't say why and he couldn't be reached for comment.)

In early January Ji was escorted back to Minyang and held, under guard, at Fu La Shan Hotel. On May 28 he was officially arrested and jailed in nearby Chengdu. Weeks later he was admitted to a military hospital, for high blood pressure. On Aug. 18 he was released from the hospital on *qubao houshen* and put up in a nearby apartment. His wife and daughter were allowed to see him for the first time in almost a year.

"He'd lost 30 pounds" and had aged ten years, says the daughter, Jean, an engineer at Raytheon. "He used to be this very confident, positive, busy man who loved

life. He lost the charisma. His spirit was gone," she says sadly. "I tried not to cry, but it was tough." Jean returned to the U.S. September; her mom stayed behind.

Changhong won't discuss its role in Ji's arrest. Its U.S. lawyer, Auspitz, insists its client helped lobby for Ji's release in the summer—and adds that Changhong's lawsuit won't rely on the documents Ji signed after his arrest. In Washington, D.C. Ji has a supporter in Congressman Gary Miller of California. "Here you have an American citizen being illegally detained in China. We've got a contractual dispute, and you'd think the government was the company," he says.

Apex Digital's sales are off more than 50% this year from a year ago; it no longer buys from Changhong. Meanwhile, Jean frets over what may be in store for her father. He has told her "he will no longer pursue his dreams," she says. "I'm still terrified for my dad," she adds. "I don't know what kind of games they're playing over there." And neither did David Ji, before he crossed the wrong people in China and disappeared into its strange and troubling legal system.

Additional reporting by Evan Hessel.



WE STRIVE TO MAKE YOUR TRAVEL MORE DIRECT.

Priority services to our Elite Plus members include priority check-in, boarding, baggage delivery and lounge access on day of international travel for you and a guest in over 390 SkyTeam lounges worldwide.

Travel has never been this easy. www.skyteam.com

Caring more about you™

AEROMEXICO

AIR FRANCE

KLM

Alitalia

Continental
Airlines

CSA
CZCH
AIRLINES

Delta

KOREAN AIR

QANTAS



Mortgage Your Retirement

CONVENTIONAL WISDOM OFFERED TO RETIREMENT savers is to start out at age 25 mostly in stocks, then wind down to a bond-heavy portfolio at age 65. The conventional advice is spelled out on page 104 in a description of age-based retirement funds offered by the big fund families.

This strategy, we think, is too tame. You should be more than 100% in equities when you are young. An exposure of 200% to start would be a better idea. That's right—if you are young, you should be buying on margin. Pay down the debt as you age and then ease off to a 50-50 stock-and-bond mix at the beginning of your retirement.

Margin buying? For retirement? It sounds terribly risky, but it in fact reduces the risk that you will end up poor. And it leaves you with much better diversification across time.

It is obvious that you're not well diversified if you invest \$100 in one stock, \$200 in another and \$300 in a third. You'd have less risk investing \$200 in each of the three stocks. Indeed, spreading risk over stock is what leads people to buy broad-based index funds.

The same idea of equal investments applies to investments across time. If you have \$100 invested in year one, \$200 invested in year two, and \$300 invested in year three, you have too much exposure to year three and not enough to year one. This is what you get if you put \$100 a year into savings and stay fully invested. You could get the same exposure to the market with less risk by owning \$200 worth of stock in each of the three years. You could do this by buying on 50% margin in the first year, paying off the debt with your year two savings, then going to 33% cash or bonds in the third year.

Most investors have a lot less at risk in their retirement accounts in their early working years than in later years. In essence, they're missing an opportunity to diversify across time—they're putting too large a bet on the return on stocks in later years.

At first, it seems that this is just a fact of life. You can't have an equal amount invested in all years, because in the early years you can't invest what you don't have.

But this ignores the possibility of leverage. People invest what they don't have all the time when it comes to real estate. 5-to-1, 10-to-1, even 20-to-1 leverage is becoming the norm. A person who buys a \$600,000 house has a relatively flat exposure to the real estate market. The exposure grows only with house price appreciation and not with increased savings. The key is that your exposure to the real estate market is based on the full value of the house, not just your down payment or your current equity position.

Retirement accounts should take a lesson from home ownership. Retirement programs should allow people to take out retirement mortgages to buy more stock when they are young. Just as home mortgages become less leveraged over time, so would the retirement investment mortgages. Tax rules may inhibit, if not prohibit, margin buying in IRA and 401(k) accounts. We certainly know of no 401(k) doing this. Outside

a tax-sheltered account, you can do 2-to-1 leverage in stock but no more.

To test how our theory would work in practice, we took historical stock-and-bond-return data collected by Robert Shiller and added margin rate information. Following Shiller's approach, we ran simulations on the returns for 91 cohorts of workers, those retiring in 1913 through 2000. We calculated the real investment return (the return above inflation) from an investment strategy that began with 2-to-1 leveraged investment in stock at age 25 reducing to an unleveraged 50% investment

Retirement savers are missing an opportunity to diversify across time—they're putting too large a bet on the return on stocks in later years.

in stock at age 65. We found that none of the cohorts ended up with less than a 2.5% real return on their investment (and only 2 of the 91 cohorts fell below 3%). In contrast, what would seem to be a much more conservative strategy of starting with an 85/15 stock/bond split at 25 falling to a 15/85 stock/bond split at retirement produced 29 cohorts with real returns that fell short of 3%. Because of the longer investment in equities, the average real return for the leveraged strategy across the 91 cohorts was more than double the conservative strategy.

In real estate the most important rule is location. For investments, it's diversification. Investors understand the value of diversifying across domestic stocks and many appreciate the advantage of including international stocks in their portfolios. The big missed opportunity is to do a better job diversifying over time, getting an early (and leveraged) start in stocks. We do this with houses, so why not stocks?

Corporate Security

PROTECTING CRITICAL BUSINESS ASSETS



In Executive-
level Agenda
For Tackling
Today's Top
Security
Threats

Corporations must protect their assets, employees and customers from an ever-evolving threat matrix. But where does one begin? How can executives make informed decisions that will benefit the entire organization while responsibly using resources to reduce risk and employ appropriate countermeasures? Read this article to learn more about how to communicate the import, impact and implementation of effective corporate security.

PREEMPTIVE SECURITY IS HERE.

Prevent

MAJOR INTERNET THREATS —

before THEY RUIN YOUR DAY

Proventia ESP



Proventia ESP (Enterprise Security Platform) from ISS stops Internet threats before they impact your business. With intrusion prevention and vulnerability assessment products and services, Proventia ESP reduces your overall risk and helps enable regulatory compliance and business continuity. Only ISS keeps you ahead of the threat with preemptive protection for your entire enterprise. [Download a free white paper at www.iss.net/ESP/forbes](http://www.iss.net/ESP/forbes), or call 1-800-776-2362.

NETWORK & HOST INTRUSION PREVENTION | VULNERABILITY MANAGEMENT | MANAGED SECURITY SERVICE

©2005 Internet Security Systems Incorporated. All rights reserved.

18

November 18
FRIDAY

3 p.m.

Testify RE:
Network security breach
(bring lawyer)

2005 CALENDAR

 INTERNET | SECURITY | SYSTEMS®

Ahead of the Threat.™

Building a Resilient ENTERPRISE INFRASTRUCTURE

Symantec

In today's networked world, the free flow of information is critical to business. Information has become the currency of our age, and unlike a disk or laptop, it cannot easily be replaced. As the pace of business evolution continues to accelerate, organizations will face new challenges in securing, managing and making available this irreplaceable asset — all while trying to do more with less and protect an increasingly complex IT environment from a growing number of risks.

To prepare for and address these challenges, organizations must build a resilient IT foundation that mitigates vulnerabilities and threats to prevent attacks, recovers quickly in the event of disruptions and runs day-to-day operations more efficiently. All of this requires building an infrastructure that seamlessly bridges the divide between the management of security, storage, data and applications.

Symantec is focused on delivering the proven security, systems and storage solutions customers need to ensure the secure and reliable availability of IT services to keep business up and running at all times.

www.symantec.com



Policy Must Fit the Culture

Corporate security isn't something that kicks in when things go awry.

It's a way of life; a culture that reflects the very health, vitality and integrity of a business. Of course, corporate security is the inalienable responsibility of every corporate citizen. But it is most certainly energized from the top down.

Security does — or should — garner fierce attention at the board level for good reason. Just consider what's at stake: the brand, shareholders, customers and employees. Security literally impacts every aspect of the business and indeed contributes to business continuity and the overall financial well-being of the business.

That's why senior leadership must close the gap between business management and security operations, says Ed Casey, director of corporate security at Cincinnati-based Procter & Gamble Company. CSOs need to understand the business to protect it effectively, and business managers need to appreciate how security can positively impact the bottom line.

But a security-conscious workplace doesn't just materialize on its own. Executive management needs to initiate the culture with a simple, yet comprehensive, security program. "Measurably effective logical security cannot exist without effective physical security or a corporate culture that is intolerant of misconduct," explains George Campbell, former CSO of Fidelity Investments, security consultant and member emeritus of the CSO Executive Council.

Francis D'Addario, vice president of partner and asset protection for Starbucks Coffee Company of Seattle, Wash., offers some guiding principles for formulating a top-notch security culture:

- Require the protection of people first.
- Underscore the values of corporate culture to safeguard brand equity.
- Support the company's mission with

service-level expectations.

- Require interweaving security safety as an enabler for every business opportunity.
- Insist on world-class processes for security incident awareness, prevention and detection and mitigation.

Don't be lulled into thinking of security in terms of things. "Computer virus or natural disasters won't be the undoing of a business," Campbell warns. "Corporate meltdowns are caused by bad ethics, ineffective controls and other human behavior."



Are You Ready? How to Handle Today's Corporate Security Threats

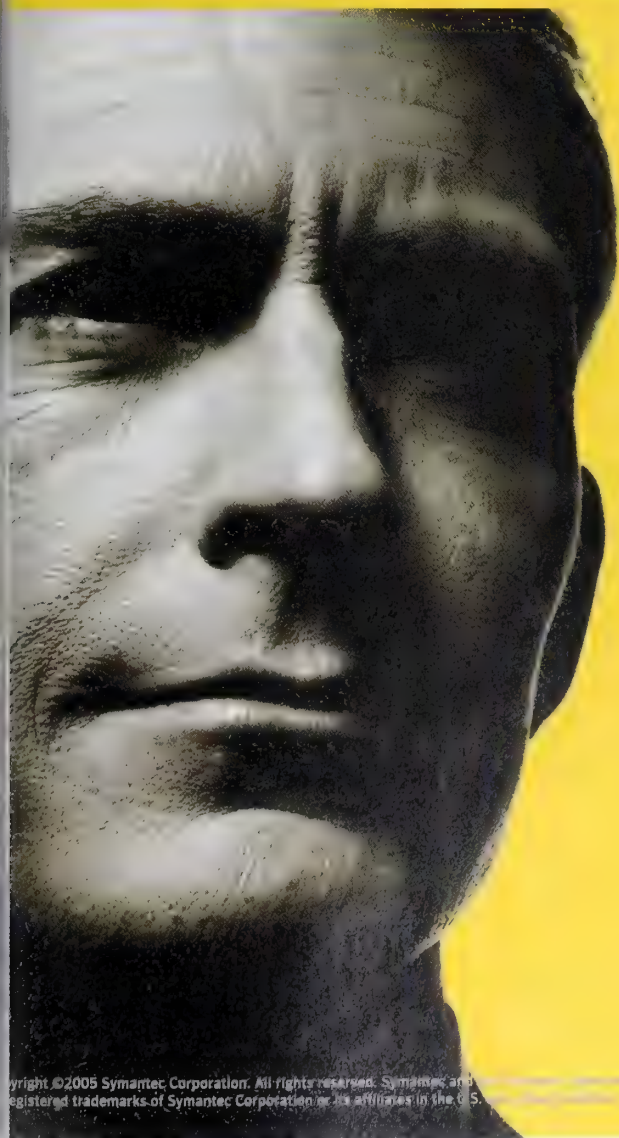
Today's top threats? Business interruption due to workplace violence; cyber crimes, natural disasters; terrorism; damage to the corporate infrastructure due to loss of critical business information or noncompliance with security regulations; product or supply chain disruption because of inappropriate preparation for emergencies. The list goes on and it changes daily.

It's no wonder that the issues keeping CSOs awake have or should have made the boardroom table. Equally as important are the board's concerns, which had better be on the security group's radar screen.

For example, Michael Frankovich, director of corporate security at Duke Energy Charlotte, N.C., says workplace violence is what plagues his slumber because the stakes are so high. He notes that the most eg-

COMPLY WITH CONFIDENCE.

Message to CIOs everywhere: Regulatory compliance just got a little less painful. As a world leader in information integrity, Symantec can help your company conform to the standards regarding security and privacy, information retention and corporate accountability required by today's regulatory and legal mandates. And along with compliance comes the confidence that your company's information is protected—to help keep it safe, secure and readily available to those who depend on it. So you can go about the day's business, and get a good night's sleep. Call 800-745-6054 or visit <http://information-integrity.com>. **BE FEARLESS.**



Copyright ©2005 Symantec Corporation. All rights reserved. Symantec and the Symantec logo are registered trademarks of Symantec Corporation or its affiliates in the U.S. and other countries.



gious incidents aren't frequent, and executives tend to assume that employees are safe in their own building. A comprehensive and effective security program will let executive management sleep soundly in that regard.

Richard Lefler, former CSO of American Express and a Scottsdale, Ariz.-based consultant specializing in strategic security planning, says the greatest emerging threat is the risk of a global flu pandemic like Avian Influenza (H5N1). It's projected to hit in the next two to three years and is already being monitored at the executive level. Keeping employees safe is paramount, but this form of security planning significantly varies from the norm. That could explain why this type of threat and prepared response is often overlooked until the crisis is imminent.

Lefler says executives can better manage any security threat through situational readiness: "Executive management needs a framework that allows the security group and business managers to adapt quickly to changing environments." Executives can't build security programs by looking in the rearview mirror, he says, nor can they predict the like-

Executives need to implement tools to create relevancy in situational data, segmenting and automating the process. For instance, geographic relevancy might dictate prioritization of events within five miles of a plant versus 500 miles.

James Ashby, director of corporate security and loss prevention at Boise Cascade, puts it succinctly: "The greatest threat is not the threat itself, but rather the perceptions and expectations surrounding the threat."

Sing-Sing or Fort Knox? Security Beyond the Perimeter

Maintain a rock-solid perimeter and all is right with the world. Right?

Wrong. Sing-Sing and Camp Cupcake can be locked down as tight as Fort Knox, but that doesn't make either a safe place.

It's the integrity of the individuals within the perimeter that makes for a secure environment. According to a *CIO Magazine* and PricewaterhouseCoopers survey ("The Global State of Information Security 2005"), the problem is that roughly 33% of information security

(IS) attacks originate from employees, with another 28% coming from ex-employees and partners.

The best way to avoid this threat is thorough background checks during the hiring or contracting process. Contractors, supply chain partners and outsourcing vendors should all be held to the same best-hiring practices. But it doesn't simply end with the

hiring. Monitoring activity is a must. Companies are reporting a notable surge in surveillance from both a physical and an IT perspective, says the CIO survey.

Physical security is maturing with the use of access-card systems, optical turnstiles

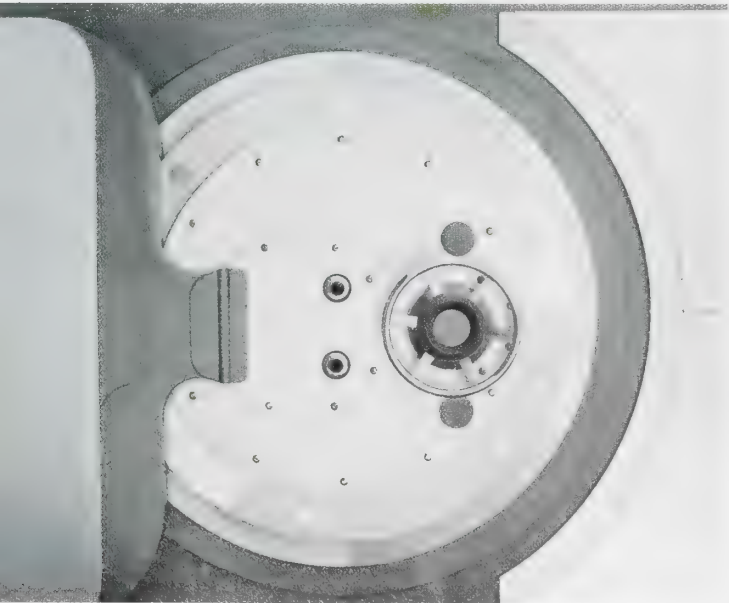
and surveillance equipment. "How these efforts are contradicted by what's happening in the world," explains Energy's Frankovich. "Body-borne weapons can get through optical turnstiles, a glass door certainly can't stop vehicle-borne weapons." What's worse, though, "outsiders" are invited into the sanctum every day. "Once these folks are inside the building, you must rely on different forms of monitoring and a security-conscious culture to protect the business," adds Frankovich.

From the IT perspective, the survey suggests that IS organizations increasingly monitor employees to "rein in" instant messaging and other applications. To put down rampant spam and malware, shield the company from liability and ensure employees use peer-to-peer networks to download copyrighted material and not a vector for evergreen insider threats, a whopping 88% of respondents say they have IT monitoring in place, or plan to have it by year's end.

Another issue that may not yet be grasped at the board or even the executive level is the fluidity of the perimeter, which ebbs and flows with the tides of the business. The perimeter opens up for each hire, contractor and business partner. It extends to e-business, outsourcing and supply chain strategies. It morphs with mergers and acquisitions.

The extended business environment has resulted in many business opportunities and great savings. "But in our quest for mobility and efficiency, we've built interdependent, interoperable infrastructures, creating critical points that need more security and redundancy," says security consultant Richard Lefler.

Perimeter defense has taken on new meaning. "It's not just about securing the building, nor about tightening up the network," says Lefler. The safety zone must include global offices, partners and sourcing vendors as well as Web-based commerce. It's no small task and requires strategic-level thinking.



likelihood of the next terrorist attack or natural disaster. Rather, they need to create mechanisms for the influx and management of situational threat information.

Unfortunately, says Lefler, that influx is like "drinking water out of a fire hose."

Risky Business

Any of Regulations Raises the Stakes for Business

Barbanes-Oxley, the European Data Protection Act (EDPA), HIPAA and Basel II — complying with standards and regulations such as these is neither optional nor simply an afterthought. Indeed, with the steep penalties that accompany some regulations, compliance is now just as critical as any other core business or security initiative.

That means companies must become more strategic in how they implement compliance. Bill Boni, vice president and chief information security officer at Schaumburg, Ill.-based Motorola, Inc., says executives must upgrade their approach to security, which is often a matter for separate departments with sometimes conflicting fiefdoms. For instance, one set of professionals usually is responsible for the physical security of facilities while another group oversees auditing and loss prevention activities, and yet another oversees electronic pass codes, firewalls, virus protection and all the other necessities of the information age.

But Boni says that approach is dangerous, arguing for a greater functional convergence — underscored by his own expanded responsibilities at Motorola — that can break down the barriers separating different elements of corporate risk management and security.

However, security consultant George Campbell says it is critical that upper management be on board. "The board of directors

Essentials for

Safeguarding

CRITICAL DATA

Internet Security Systems Provides a Complete Protection Strategy

In the Information Age, data is power, but it is also money. In today's world, stolen data is not simply an annoyance. It is fodder for national headlines and public outrage. A direct correlation exists between protecting your data and protecting your bottom line.

The security landscape has shifted forever as hackers now leverage their technical knowledge for financial gain. Your business must function in this landscape — under constant attack by data pirates trying to steal personal information. How do you know if your data is sufficiently protected? Tom Noonan, chairman, president and chief executive officer of Internet Security Systems (ISS), recommends you start by asking the right questions:

- **What sensitive data do we have?** With endless types of data, you need a classification scheme to categorize sensitive information and separate it from non-critical data.
- **Where is our sensitive data located?** While it may primarily reside in a production database, it is also duplicated onto backup tapes, copied to department servers and cached on proxy servers or client systems. You need to know where the data is in order to protect it effectively.
- **What are the points of access to our sensitive data?** Every location in which data resides probably allows multiple points of access. Identifying both physical and digital access points is the first step in securing them.
- **How is each access point protected?** Once you have identified the physical and digital points of access, examine how well each access point is protected. Using a single mechanism is a huge mistake. You need multi-layered protection.
- **Who has access to what data?** More than half of all security incidents involve insiders. Know who has access to what data. Increased access to sensitive data should only be given when both the "trust" and "need" criteria are met.
- **How do we track our sensitive data?** Auditing access to sensitive data is crucial. Audit logs are an effective mechanism, but they must also be considered sensitive data.
- **Does my enterprise security system protect both systems and data?** An end-to-end, multi-layered system that enforces policy while deflecting threats is the only way to truly stay ahead of the threat.

To learn more about ISS and safeguarding critical data, call 800-776-2362. For an executive brief on Safeguarding Customer Data go to www.iss.net/2005/safeguard_data/.

 **INTERNET | SECURITY | SYSTEMS®**

Ahead of the threat.



Proven Solutions

Protecting
THE REAL
WORLD

McAfee

Threats to desktops, servers and networks are increasing in frequency and technical complexity. For businesses and the public sector, trying to balance costs, resources and personnel against these threats can be overwhelming. For home users, failure to recognize the threats at all can be devastating.

To effectively address these security challenges, many businesses, government agencies, service providers and home users trust McAfee for a proven approach to deploying limited resources to achieve the best possible security. At McAfee, we have woven together innovative hardware and software based on extensive and real-world security expertise to address immediate threats and deliver proactive protection from future attacks. Today, this protective fabric provides effective security solutions for customers in over 100 countries worldwide.

www.mcafee.com
McAfee
Proven Security

and CEO must assure that risk assessment around security-related issues is an integral part of the company's risk management process," emphasizes Campbell. Where organizations have put rigorous risk analysis and mitigation strategies in place, he adds, "it's likely that much of the work toward compliance has already been done."

With or Without Mandates, Privacy Is Now A Pervasive Challenge

Privacy compliance is a large component of recent legislation and regulations. For instance, California law mandates highly onerous consequences for any security breach in which personal financial information is shared or disclosed without authorization. The law imposes penalties of \$2,500 per violation and there is no cap for willful violations of the law.

But privacy issues extend far beyond mandates alone. Long-term management efforts to foster a public perception of trustworthiness and strengthen brand identity can be quickly undone by revelations about mishandling private information. Furthermore, internal stakeholders may also have privacy concerns regarding the accessibility of their sensitive information.

In an article in *Information Systems Control Journal* entitled "Creating the Privacy-Compliant Organization," author Robert G. Parker points out that while each organization must consider the relevant privacy regulations, definitions created by the Organization for Economic Cooperation and Development (OECD) can provide the basis for developing a universal privacy model that outlines the basic principles for privacy compliance. However, he stresses,



"becoming privacy-compliant is a process that requires a compliance-focused culture and infrastructure.

Tim Gladura, CSO of Cardinal Health Inc., based in Dublin, Ohio, has full responsibility for privacy issues and contends the challenges are multiplied for his global organization. "We must look at privacy regulations around the world because we operate on seven continents," he says. Fortunately, he notes, as the central source for all security activities at Cardinal Health, "I myself have an enormous amount of compliance support on those issues, including a personal data protection and privacy person who is an international attorney."

Gladura emphasizes that a central, consistent and integrated framework needs to be in place to monitor and control "whether or not an organization has done a responsible job" of protecting the privacy of its constituents.

WEB DIRECTORY

Internet Security Systems
www.iss.com

McAfee
www.mcafee.com

Symantec
www.symantec.com

ABOUT THE CSO EXECUTIVE COUNCIL

Founded by *CSO Magazine*, the CSO Executive Council is a professional organization for security executives whose vision is to advance strategic security practices and solutions. The mission of the council is to provide both public and private sector CSOs and CISOs with the products, research and support necessary to advance the safety of their organizations, the security profession as a whole and their careers. To learn more about the council, please visit www.csoexecutivecouncil.com.



The Paradox:

The threat you need to see coming
is the threat you can't see coming.

The Answer: Proven security.

Availability Management

Intrusion Prevention

E-Mail & Web Security

Anti-Spam

Anti-Spyware

Anti-Virus

Zero-day threats. Modified threats. Encrypted attacks. With McAfee®, you're protected. Our comprehensive security solutions with integrated intrusion prevention technology proactively protect your systems and networks. And our proven approach blocked or contained 100% of the top attacks in 2004. Backed by more than 15 years of experience protecting and supporting our customers, McAfee's software, hardware, and services are a proven way to secure your business. Learn more at www.mcafee.com/enterprise

McAfee
Proven Security™

A black and white photograph of a man in profile, looking down and to the left. He is wearing a dark plaid suit jacket over a light-colored shirt and a dark tie. His arms are crossed. The background is a soft, out-of-focus light color.

STANDARD TO LIVE BY:
COMMITMENT

MAKING MEN LOOK GREAT SINCE 1905

1.800.285.2265
WWW.JOSBANK.COM

JOS. A.
BANK
CLOTHIER



Sinking Ship

Special-effects shops are booming, but the prosperity has been hollow for Digital Domain.

By Seth Lubove

TITANIC STILL REIGNS AS HOLLYWOOD'S KING of the world, with a box-office haul of \$1.8 billion and 67 million videotapes and DVDs sold since 1997. The special-effects epic, directed by James Cameron, one of the most powerful people in show biz, was just rereleased yet again, this time as a multidisc "Special Edition DVD," featuring footage of Cameron in action and a look at the dazzling visual tricks that split the boat in half and

Master of his domain: Digital Domain boss Scott Foss.



Terminators and allies: James Cameron and creature-feature creator Stan Winston.

sent it to its watery grave.

The “FX” shop behind the stunts is Digital Domain of Venice, Calif., but rather than share in the *Titanic* windfall, it almost went bankrupt working on the film. Worst of all, its chief, Scott Ross, got into a fatal rift with his most important founding partner: James Cameron. Ross blames Cameron for a conflict of interest in which the director, though he was Digital Domain’s customer, kept insisting—as the shop’s co-owner—that it continue working overtime on the movie despite hemorrhaging money.

“We lost \$7 million to \$9 million just on that film,” says Ross, whose firm did effects for *Apollo 13*, *True Lies*, *How the Grinch Stole Christmas* and *The Lord of the Rings: Return of the King*. “It was a very unhappy ending. The ship sank in the movie—and Digital Domain almost sank with it.”

Digital Domain’s complaint says a lot about the second-class status of the visual-effects firms behind many blockbusters in recent years. Nineteen of the 20 top-grossing movies of all time feature mind-blowing visual effects (the exception: *The Passion of the Christ*), yet the anonymous digital wizards toiling at their workstations rarely reap any of the back-end upside of those hits.

Competition for assignments is cut-throat, and increasingly powerful off-the-shelf software from Autodesk, Microsoft,

Apple and others lets anyone with a workstation concoct the same stunts as the big guys. The improbable effects in last year’s eco-epic *The Day After Tomorrow* were cobbled together by 11 firms, with Digital Domain handling some of the big flood scenes while smaller shops handled lesser effects.

“I don’t think anybody’s getting rich,” says Robert Coleman, a visual effects veteran who created his Digital Artists Agency in Los Angeles to represent digital artisans who bounce from job to job.

“A very unhappy ending. The ship sank in the movie and Digital Domain almost sank with it.”

“Now more than ever there’s just a lot more companies that can produce the same quality of work,” he says. “Someone will always do it cheaper.”

So Digital Domain and other outfits, such as Rhythm & Hues in nearby Marina del Rey, hope to move up the food chain to produce their own movies. Ross aims to raise \$100 million to possibly buy out the 20% stake owned by Cameron and a partner, creature creator Stan Winston, and stake a film fund.

So far, no takers. “The story for me is, why hasn’t anyone come to the table with money to allow Digital Domain to move to the next level?” he asks. “For someone with the wherewithal, Digital

Domain is a rounding error.

But it is difficult to raise money in Hollywood when you feud with a titan like Cameron, whose lawyer calls Ross “bitter, angry and biased.” Bertram Fields, the hardball Hollywood litigator, further says Cameron has made “serious charges against Mr. Ross’ conduct of Digital Domain’s business,” though he declines to get specific except to say that there was no conflict of interest on *Titanic*.

Undaunted, Digital Domain hopes to join the elite ranks of the tech-heavy houses that parlayed a penchant for FX into full-fledged film franchises:

Pixar (*Toy Story*, *Finding Nemo*), DreamWorks Animation (*Shrek*, *Shrek 2*) and News Corp.’s Blue Sky Studios (*Ice Age*, *Robots*).

In a private offering memorandum, Ross touts Digital Domain as “Pixar Plus.” He plans to develop a mix of small and big-budget movies to help stabilize revenues. Among the projects in the works are *A Thousand Cranes* (“An epic love story in the vein of *Titanic*,” the company says shamelessly) and *Instant Karma*, produced by the writers of *Shrek*.

and with a motley cast that includes star wrestler The Rock and Eartha Kitt.

But Digital Domain has just one movie to its credit, *Secondhand Lions*, a tepid 2003 flick with Michael Caine and Robert Duvall as two curmudgeons hosting a kid for the summer. The *New York Times* called it a “molasses-drenched coming-of-age movie.” It grossed \$42 million, and Ross claims it was “mildly profitable.”

Like Digital Domain, Rhythm & Hues wants to try its luck at producing movies too. “We have things under development,” hints Daniel Quarnstrom, creative director. It hit the big time in 1995 with *Babe* about a talking pig, which earned Rhythm & Hues an Oscar but almost broke the



Effective FX

Almost all of Hollywood's top-20 highest-grossing movies depended on extensive visual effects.

TITLE	U.S. BOX OFFICE
Titanic (1997)	\$600,779,824
Star Wars (1977)	460,935,665
Shrek 2 (2004)	436,471,036
E.T. the Extra-Terrestrial (1982)	434,949,459
Star Wars: Episode I—The Phantom Menace (1999)	431,065,444
Spider-Man (2002)	403,706,375
Star Wars: Episode III—Revenge of the Sith (2005)	380,262,555
The Lord of the Rings: The Return of the King (2003)	377,019,252
Spider-Man 2 (2004)	373,377,893
The Passion of the Christ (2004)	370,270,943
Jurassic Park (1993)	356,784,000
The Lord of the Rings: The Two Towers (2002)	340,478,898
Finding Nemo (2003)	339,714,367
Forrest Gump (1994)	329,691,196
The Lion King (1994)	328,423,001
Harry Potter and the Sorcerer's Stone (2001)	317,557,891
The Lord of the Rings: The Fellowship of the Ring (2001)	313,837,577
Star Wars: Episode II—Attack of the Clones (2002)	310,675,583
Star Wars: Episode VI—Return of the Jedi (1983)	309,125,409
Independence Day (1996)	306,124,059

Source: Internet Movie Database.

company financially. The shop created the nebbishy goldfish in *The Cat in the Hat*, the belching star cat of *Garfield* and the cat in *Scooby-Doo*, but it shares none of the loot from merchandise sales generated by its efforts. Its next project is due in December: the lion, centaurs and an army of creatures in Disney's *The Chronicles of Narnia: The Lion, the Witch and the Wardrobe*.

Star Wars creator George Lucas all but created the special-effects business with his formidable Industrial Light & Magic, where Ross once served as general manager before quitting in a messy political battle. Beneath ILM is a patchwork of effects boutiques and garage shops.

Digital Domain had all the makings of an outfit ready to break out of the crowd when Ross started it in 1993. He brought in Cameron, already a powerhouse director for his work on the iconic Arnold Schwarzenegger film *Terminator*, at the behest of advisers who told him he needed a big name to attract funds and attention in Hollywood.



Veri exciting.



Veri close.



Veri proud.

meron became part owner without
ing to put up any money at all.
Impressed, IBM chipped in \$15 million
50% of the company, which it would
split with Cox Enterprises in 1996, re-
tedly for as much as \$30 million. A press
ease at the time said Digital Domain
ould be "the most advanced company of
kind in the world."

But Ross, dealing with one of
the biggest egos in Hollywood,
gan clashing with Cameron over
effects work on *Titanic*, among
er issues. Ross insists that Cameron's
hering and perfectionism were the un-
ing of the firm and says only in the past
v years has it climbed out of the hole
used by *Titanic*. "Certain powerful peo-
e in Hollywood blamed our inability to
liver visuals for the reason the movie
ened in November instead of July," he
ys darkly. He won't name names (such
Cameron's), but he doesn't have to.

Ross says things came to a head in 1998
hen Cameron tried to get him fired. In-

stead, the board backed Ross and Cameron
quit. At the meeting where the board de-
fied him, Cameron stood up, according to
Ross, tendered his resignation and quoted
the line from the musicians in *Titanic* as the
ship is sinking: "Gentlemen, it's been an
honor and a privilege playing with you."

"I was pretty shocked," says Ross.

**"Gentlemen, it's been an honor and a privilege
playing with you," Cameron told the board.**

"But I breathed a sigh of relief."

Digital Domain's revenue has fluctu-
ated between \$30 million and \$70 million
a year as visual effects have become so
pervasive that they often go unnoticed in
movies and, more recently, in TV ads. In
one Nike ad last year, Ross' outfit created
computer versions of NFL stars Michael
Vick and Terrell Owens running a pass
play, with Owens pulling his infamous
pom-pom celebration. This year the firm
created the silver bullet train that rumbles

through Coors beer commercials leaving
a layer of frost in its wake.

But James Cameron's shadow looms
over Digital Domain. The director, who
now is working on *Battle Angel*, is still a
part-owner of the company. And he has
been having a titanic fit over Ross' reviv-
ing their feud years after it should have

ended, dispatching lawyer Fields to fire off
a snippy letter about Ross to FORBES.

Ross professes to be unconcerned and
vows to stick to his ambition of becoming
the next Pixar. "There's a huge growth
opportunity," he says. "Studios are mak-
ing movies that ultimately don't make
money, so what's the problem? The prob-
lem is they don't run it like a business.
They make cans of Coke for \$10 a can.
Can you make that can of Coke for a dol-
lar? The answer is yes."

F

Everio
Everio's Next Camcorder



Introducing the world's first hard-drive camcorder.

The Everio hard-drive camcorder can record over 10 hours of DVD-quality video with no need for tapes or disks. With its built-in 30GB hard drive, you can capture every birthday, first step or home run in one hand. It goes beyond anything you've ever imagined. Veri impressive.*

*Camcorder features vary by model. Claims referenced above reflect model GZ-MG30



JVC

The Perfect Experience
www.jvc.com



"In the 21st century we'll see a rise of invention companies," says Myhrvold.

Patent Stalker

NATHAN MYHRVOLD says he is going to build a first-class innovation machine. Is that what he's really up to? | By Tomas Kellner

IN FALL 2003 THOMAS DONNELLY, CO-OPERATING officer of distressed software maker Net Perceptions, got a phone call from one Peter Detkin, an attorney representing Thalveg Data Flow in Altos, Calif. Donnelly never heard of either of them.

But he listened to Detkin's offer. At the height of the Internet bubble Net Perceptions was worth \$1 billion; it sold software that recommended goods to Web shoppers based on their past purchases and interests. Amazon was a client, before it built its own technology. Now Net Perceptions was in liquidation mode.

Detkin was offering cash for a handful of Donnelly's patents. By December they had a deal, and by March \$1.8 million was deposited in Net Perceptions' bank account. Then Detkin disappeared. "I never even met him," says Donnelly.

The U.S. Patent & Trademark Office has no record of Thalveg Data Flow. Nor does California's business registry. The only mention of the company is in Net Perceptions' SEC filings.

Thalveg, it turns out, is a shell company, sister to others with names like Orange Computer, Purple Mountain Server and Maquis Techtrix. They are controlled by a venture capital firm called Intellectual Ventures, based in Bellevue, Wash. Donnelly never questioned Detkin's credentials or his interest in the patents, but lately a lot of people in high-tech circles are beginning to wonder what Intellectual Ventures is up to.

The answer lies inside the most untapped head of polymath Nathan Myhrvold, the chief executive of Intellectual Ventures, who gained fame and wealth in his 14 years at Microsoft, retiring as chief technology officer in 2000. Myhrvold started Intellectual Ventures with his friend Edward Jung right after they left Microsoft. Three years ago they hired Peter Detkin, who knows something about intellectual property. He ran Intel's patent portfolio for eight years.

This brain trust, acting behind the

BE HERE FASTER™

Marriott
REWARDS.



**RELAX TWICE AS FAST
WITH DOUBLE POINTS*
AND VISA.®**

Now earn double Marriott Rewards® points every time you pay with any Visa card for stays between 10/1/05 and 1/31/06, starting with your second Visa-paid stay. Simply register for the promotion and get ready to arrive at your dream destination even faster. More than 2,500 Marriott hotels and resorts are participating. So dream big. Fast.

Marriott.
HOTELS & RESORTS



JW MARRIOTT.
HOTELS & RESORTS



RENAISSANCE.
HOTELS & RESORTS



To register for Double Points
call 1-888-MARRIOTT or
visit MarriottRewards.com.

*Earn Double Points between 10/1/05 and 1/31/06, starting with your second Visa-paid stay. Registration is required. Visit MarriottRewards.com for full terms and conditions. © 2005 Marriott International, Inc.

myriad shell companies, has, according to one former executive, spent tens of millions of dollars since 2003 scooping up hundreds of powerful patents. What they intend to do with them is very much in dispute. Myhrvold's firm could represent the high-tech business model of the future, earning rich licensing fees from ideas without putting capital into factories. "In the 21st century we'll see a rise of invention companies," said Myhrvold in a February interview. He declined to comment for this story.

But former colleagues of Myhrvold and patent experts watching moves at

Myhrvold's investors include the world's largest tech companies: **Microsoft, Sony, Nokia, Apple, Google and Intel.**

would comment on their investment.)

Myhrvold has yet to go after any companies for licensing deals, but he has hired a business team to "take the stuff to market" next year, says Brent Frei, executive manager in charge of development who joined in June. What that "stuff" is isn't clear since Intellectual Ventures hasn't yet

Legerity (Broadcom). The recommended patents from Net Perceptions could benefit Ebay as an Intellectual Ventures investor, yet they could also be aimed at any Web site that gives shoppers tips on what they may like. "When I got this my lap, of course I was thinking Amazon or Netflix," says the former Intellectual Ventures executive, who left after clashed with Myhrvold.

"His method looks familiar," says Jerry A. Klein of the Chatham County patent agency, who has sold patents to Myhrvold. Ronald Katz and Jerome Lemelson were two inventors who used their patents to squeeze billions from corporations like Ford, General Motors and AT&T. "Even Lemelson and Katz did come out of the gate jumping at people," he says. "They did some threatening for while." Klein doesn't know if Intellectual Ventures will go that route.

Intellectual Ventures' goal, posted on its Web site, is to create a new, dynamic marketplace where inventors can be assured a fair return on their investment and the public can be assured access to the benefits of innovation.

Indeed, one arm of Intellectual Ventures has focused on pure research. Myhrvold has vowed to hold "inventor sessions" where thinkers from universities and places like the National Security Agency can kick around concepts like single-atomic-layer lenses for space telescopes. Patent lawyers in attendance would capture and translate free ideas into patent applications.

Yet after five years the firm has a mere 22 applications pending at the U.S. Patent Office, most of them assigned to Myhrvold and Jung. No patents have yet been issued.



Intellectual Ventures say the firm is less an invention company than a protection company. It seems to be set up to help defend its investors against so-called patent trolls, enterprising patent lawyers and small companies that sue but have few or no products for sale. Its patent library would presumably allow it to play an offensive as well as a defensive game. It could threaten or sue any firm that hasn't paid to join the IV gang.

Myhrvold's investors include the world's largest tech firms, such as Microsoft, Sony, Nokia, Apple Computer, Intel, Ebay and Google, says the former insider. He says they have put some \$350 million into Intellectual Ventures and have committed to investing as much as twice that amount. Some of that money has been earmarked to fund litigation to enforce licensing. (None

Patent holders Jerome Lemelson and Ronald Katz (right) sued their way to riches—and infamy.

been awarded any new patents.

The investors have free access to the portfolio, says the former executive, and anyone else will be expected to negotiate licensing fees or, presumably, face a lawsuit. The patents Myhrvold has bought cover some fundamental technologies. One set bought from Prophet Technologies covers the display of financial charts on Web sites (possible target: Yahoo). Myhrvold also owns Enron's broadband networking patents (watch out, Cisco), memory chip patents from Ramtron (Micron, Samsung) and chip architecture patents from



AT&T
and
MASTERCARD®

Can your
network
reward
loyalty?

IMPROVE CUSTOMER RELATIONSHIPS. When MasterCard wanted to reward cardholders around the globe, they signed up with the world's networking company. Now, with intelligent, end-to-end networking solutions from AT&T, MasterCard can track and deliver customer rewards right over the network. As a result, MasterCard can help banks distribute airline tickets, merchandise, gift cards and financial services to enable increased activation and usage. Not to mention the kind of customer loyalty that money just can't buy. **CAN YOUR NETWORK DO THIS?**



The world's networking company

To find out how AT&T's networking solutions helped MasterCard transform its business, go to:

att.com/reward

The real action at Intellectual Ventures is in the acquisition fund. Myhrvold and his partners earn a 1.75% management fee on the seed capital, says the former executive, and will share in any profits from future licensing deals. They work in deep secrecy: Inventors who sell to Intellectual Ventures often sign nondisclosure agreements. Deals are all cash. Once they close, the patent files are boxed up and sent to an outside law firm selected to manage the portfolio.

Some sellers have no idea whom they're working with. Kenneth Mobley had patented technologies related to DRAM memory chips in the 1990s while working at a company called Enhanced Memory Systems. Last year he was approached by lawyers who told Mobley that they now owned the patents. They wanted him to sign applications that would add new claims to his work. When

that Bill Gates asked Myhrvold to set up the company to help defend Microsoft from attacks from patent trolls. At the time, Microsoft was in litigation with two small firms that eventually stung Gates badly. In 2003 a court ordered Microsoft to pay Eolas Corp. \$500 million for infringing its browser software. The next year Microsoft paid \$440 million to settle claims involving a patent on software security held by California licensing shop Intertrust.

According to the former Intellectual Ventures executive, Myhrvold got \$50 million from Microsoft, then hit up Nokia, Sony, Apple and others. But at least one investor, Intel, was less than enthralled. The chipmaker first turned Myhrvold down, despite Detkin's endorsement. But in 2003 Detkin left Intel and joined up with Myhrvold. Shortly thereafter Intellectual Ventures

hot technologies. "They are looking everything," says SI's chief operating cer, Derek Nuhn. "A lot of people worried about them."

Sometimes, says the former executive, Myhrvold and Detkin would study a portfolio for a whole month before coming up with a price to offer the inventor, which could vary from \$15,000 for a single patent to several million dollars for a portfolio of them. "Generally," says the former executive, "we would look at the asking price as a baseline. We were knocking down prices by hundred thousands by finding relevant prior art." That's lawyers' lingo for the fact that a patent can be invalidated if the inventor is late to the technology in question.

Last December Myhrvold's zeal for a deal got him in trouble with his own colleagues. In 2001 he cofounded a consulting firm called ThinkFire, which raised

The lore at Intellectual Ventures has it that Bill Gates asked Myhrvold to set it up to help defend Microsoft against attacks from patent trolls.

he asked whom they were working for, they only gave him the name Purple Mountain Server. He eventually signed after tracking down the true owner of the patents: Intellectual Ventures. "I'm not a huge fan of these guys," says Mobley. "Peter Detkin was out there telling the world about patent trolls, and now he is one and wants to hide that from the world. I think that's kind of sleazy."

Hiding behind a shell is a strategy familiar to Detkin. In 1999, while he was Intel's chief patent lawyer, Intel was scolded by a federal judge for creating a business in the Cayman Islands called Maelen Ltd. Maelen sought to acquire for \$325,000 a chip patent owned by a bankrupt company that was in litigation with Intel over infringing that same patent. The bankruptcy judge blocked this tactic and wrote that "neither Maelen nor Intel gives a damn what this estate gets." A different judge later found that Intel wasn't infringing on the patent.

The lore at Intellectual Ventures has it

acquired a patent related to the architecture of Intel's Itanium chip. "It was purchased specifically as a threat against Intel," says the former Intellectual Ventures executive. "That one patent could have cost Intel millions of dollars in lost revenue or expenses in fighting it." Intel, he said, paid some \$18 million to join Myhrvold's club.

J. Nicholas Gross, a patent attorney who sold the financial charting technology to a Myhrvold shell called Maquis Techtrix, says, "Despite the fact that they are sitting on some impressive stuff, I think their goal is to collect investors, not licensees."

After Detkin came aboard, he started working his contacts in Silicon Valley, cold-calling law firms, licensing agencies and patent agents to identify bankrupt or distressed clients who were interested in selling patent portfolios. Detkin hired reverse-engineering firms like Canada's Semiconductor Insights to take apart electronic gear to find valuable patents in

\$16 million, including \$1.5 million of own money. ThinkFire helps clients like Cisco Systems and NEC enforce and defend their intellectual property. ThinkFire was bidding on behalf of a client on dead dot-com's patents late last year when a firm called Brissac Electronics Holdings put in a higher bid. The firm surfaced, after a ThinkFire employee recognized Detkin at the courthouse, that Brissac was controlled by Myhrvold. Enraged ThinkFire managers promptly confronted Myhrvold, who resigned from the board.

Big companies continue to feel the threat of patent trolls, yet Myhrvold is fine with the status quo. In a speech in August he dismissed any flaws in the system, saying that "there [wasn't] as much hard data to support" the view that there is an excess of patent litigation. "This is a great example of people having a bunch of anecdotes. I don't see that it's wrong to invent without making products."

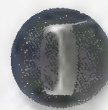
AT&T

and

VOIP

Can your
network say
it's taken
the plunge?

NAVIGATE THE FUTURE. When we wanted a deeper understanding of how VoIP could help transform businesses, we volunteered ourselves. Our implementation of VoIP allowed us to save \$500 per employee annually. Not only that, VoIP also enhanced our remote working initiative that resulted in a 12.5% increase in productivity and savings of \$180 million annually. Soon, up to 20,000 AT&T employees will be using VoIP. When it comes to VoIP, we at AT&T didn't just get our feet wet, we dove in. We can help you do the same. **CAN YOUR NETWORK DO THIS?**



To find out how AT&T's VoIP experience can benefit your business, go to:

att.com/transform

© 2005 AT&T

IP Adoption Delivers Competitive Advantage

Companies Realizing Expanded Productivity Benefit

AN EXCLUSIVE NEW STUDY REVEALS THAT ENTERPRISES HAVE MOVED BEYOND THE question of whether to adopt converged networks and are now concentrating on how they can deploy converged networks for increased business value and competitive advantage.

Corporate executives are strongly focused on how networks carrying voice, data and video can be deployed for **enhanced collaboration, better quality communications and superior customer service**, according to this new survey of 236 CEOs and business leaders by the Economist Intelligence Unit for AT&T.

In fact, 45% of those surveyed rate convergence as "important" or "critical" to achieving their strategic IT and business objectives, while only 4% view it as unimportant. This result marks an important shift in the emphasis of network convergence projects from cost cutting to **value creation**.

Among the findings:

- Businesses are **accelerating deployment of converged networks**, with 60% expecting that most, if not all, of their organization will be utilizing a converged network by 2008.
- Close to 73% of executives surveyed rate **"enhanced collaboration with customers, suppliers and partners"** as an important or critical benefit of converged networking.
- Nearly 69% rate **"improved customer service"** as an important or critical benefit.

IT'S ALL ABOUT TRANSFORMING SERVICES

Survey respondents placed somewhat less importance on such factors as the reduced cost of voice calls, lower cost of network management and simplified network management. Only a fifth of those surveyed had completed a business case in support of convergence, which suggests that many firms will move ahead despite a lack of traditional data on return on investment (ROI).

"Lower capital and operational expenditures, while no doubt important, are secondary benefits of convergence," notes Hossein Eslambolchi, AT&T CIO. "Network convergence creates the next generation of services that will enable your customers or partners to increase value. This is all about **services transformation** and the network is the means for hitting that objective."

EXECUTION IS EVERYTHING

If the rewards of network convergence are substantial, so are the challenges. In the postconvergence world, organizations will need to ensure **consistent high-quality service** across myriad communication channels and devices. Legacy applications will need to be migrated onto the new network infrastructure, firms will need to modify their customer relationship management (CRM) strategies, and network security will become more complex as digital channels proliferate. There are also valid concerns over the shortage of people with the skills to manage these new networks.

AT&T can help companies master these challenges and achieve higher levels of business value with its worldwide networking infrastructure; its knowledge to design, deploy and manage customer-defined multiple-vendor solutions; and its thousands of networking professionals deployed globally.

Learn more about managing technology change at **AT&T's Networking Exchange**, an online community designed to help you stay on the leading edge of networking technology. Activate your membership now at www.att.com/networkingexchange.



The world's networking company®

AT&T
and
TEAM
McLAREN MERCEDES

Can your
network
smell victory
from 928
miles away?

DELIVER REAL-TIME ADVANTAGE. When Team McLaren Mercedes wanted a network as sophisticated as their cars, they joined up with the world's networking company. Now with data networking solutions from AT&T, McLaren can send crucial real-time race data right from any track around the globe to the McLaren Technology Centre in the UK. So the engineers can get the information they need to optimize the team's performance in milliseconds. And Team McLaren Mercedes can always stay ahead of the competition. **CAN YOUR NETWORK DO THIS?**



The world's networking company

To find out how AT&T's networking solutions helped
Team McLaren Mercedes transform its business, go to:

att.com/antary

© 2005 AT&T



MICHAEL NEAL SLEEPS JUST FOUR HOURS A night. That way he can rise before the sun at 4 a.m. in Stamford, Conn., e-mail his staff in Asia, where the sun soon will set, and touch base with Europe, where it is midmorning—all before showing up at work at 7 a.m. sharp.

Neal, 52, runs one of the largest nonbank lenders in the world: GE Commercial Finance, with \$233 billion in assets, \$4 billion in annual revenue and aftertax profit of \$4.5 billion last year, higher earnings than at any other GE business. He boasts that his division, which provided 27% of GE net income last year, has seen profits grow an average of 20% every year since 1996—and he vows to continue at that pace.

Never mind that interest rates are rising and revenue in the U.S. financial services industry fell 10% from 2000 to 2003. Europe fared no better, says Adam Dener of Capco, a consulting firm.

GE Commercial Finance was one of four major divisions carved out (the others being consumer finance, equipment services and insurance) when GE Capital was split up in 2002. Neal

gram—known as the clunky “At the Customer, For the Customer”—taps the parent company’s wealth of expertise in the vaunted Six Sigma defect-reduction method, just-in-time manufacturing and such management pursuits as succession planning.

For GE this is a cheap goodie for wooing and keeping customers. Since 2002 GE Commercial Finance has provided 350,000 hours of advice to 3,000 commercial borrowers. It places a value of \$1 billion for these services to customers but hasn’t quantified the benefit to itself. Some observers peg the cost to GE at a mere \$15 million a year, not even a rounding error on the finance unit’s earnings of \$4.46 billion last year (after taxes and before restructuring charges and accounting changes).

But customers love a freebie, even a small one. “When we heard the phrase ‘at no cost,’ that was great by us,” says Paul Tate, chief financial officer of Frontier Airlines. In late 2001 the GE folks leasing 12 aircraft to the Denver airline offered some free counsel. GE brought a dozen Frontier employees to its leadership center in Ossining, N.Y. for two weeks of training in Six Sigma. Then it assigned the company a GE mentor, who visits

Money Machine

Michael Neal runs General Electric’s biggest profit engine, raking in \$24 billion a year lending money to businesses big and small. His secret: “free” advice for the clientele | By Kerry A. Dolan

had been president at GE Capital before the split. This past summer the insurance business was folded back into his division and he was named one of six vice chairmen. Now he focuses on leveraging GE Capital’s AAA credit rating and GE’s giant presence in aircraft engines, power plants and medical equipment to bankroll 1 million corporate customers.

Neal’s division owns the largest commercial real estate lending business in the world, GE says, with \$28 billion in assets, financing office complexes to hotels to apartment buildings. It also claims to be the largest lender to companies in bankruptcy proceedings, peddling \$1.5 billion through September this year in financing to companies in pain. Until recently the unit ran one of the largest fleets of leased jets in the skies, with 1,370 planes rented out to 200 airlines; in July that business was moved into a new unit, GE Infrastructure.

GE’s gold-plated credit rating lets Neal borrow money at 3% to 5% interest and lend it out at rates of 10% to 12%, on average. Only a few percent of the \$95 billion that Neal’s group lends out each year is to finance GE-related deals (such as a purchase of E-made aircraft engines); the rest is lent at arm’s length.

One key weapon: GE Commercial Finance hands out millions of dollars in free advice to its clients each year. The pro-

Frontier for two or three days a month to check the progress on various projects. Four years later Frontier still has a mentor.

One project, to reduce the amount of thrust used by the engines at takeoff to save on maintenance, took eight months and saves Frontier \$5 million a year. The upside for GE: In 2003 Frontier leased an additional 13 planes from GE. The engines on all 49 planes are from GE, as well.

A similar engagement in late 2002 with the fast-food chain Wendy’s led to a four-day training session in leadership for 30 executives. “In 18 months we did a number of initiatives that would have taken us four to five years to get done on our own,” says Wendy’s chief executive, John (Jack) Schuessler. GE helped the chain shift to booking travel and filing expense reports online and to updating its company-car policy to save money. The benefit to GE: Its loans to Wendy’s franchisees doubled to \$800 million in 14 months.

Neal has used acquisitions to stoke growth, buying some \$50 billion in assets for an undisclosed sum since 2002. The biggest deal came in 2001, when GE acquired \$20 billion in assets from Heller Financial for \$5.3 billion. Other buys included Deutsche Bank’s inventory finance arm, with \$3.3 billion in assets, in 2002; and Transamerica’s commercial finance business, with

\$8.5 billion in assets, in 2004. A decade ago 90% of GE's commercial lending was in the U.S., compared with 50% today, as GE has expanded to 32 nations.

But the GE vice chairman also looks for internal organic growth—simply by trying to sell more products to existing customers. Thus far GE's real estate lenders haven't had much to do with the folks financing copy machines. Neal wants to change that. "We're identifying enterprise accounts, companies that should be buying four or five things from us," he says. Adds Tom Quindlen, chief commercial officer for GE Capital Solutions, one of the unit's leasing and loan arms: "We're asking customers, 'What are your needs?' instead of 'How about a lease?'"

In a test program in Texas, GE examined 1,200 companies and selected 325 with revenue of \$100 million to \$1 billion. It aims to wring more sales out of those targeted accounts. Last year this multiple-product sales strategy generated \$1.2 billion of new loans and leases. This year it should bring in \$2 billion.

Like many of the GE brass, Neal has spent his whole career at the company. A small-town Georgia native, he studied industrial management at Georgia Tech and joined GE in 1979 as a salesman of electrical components. In 1987 Gary Wendt, head of GE Capital (then called GE Credit), tapped Neal to move to Stamford to sell financing for technical equipment.

Neal's personable manner and familiarity with industrial equipment were a good fit. He rose to the number two job of president at GE Capital in 2000. Meanwhile GE Capital was providing fully half of GE's net income each year. That created some tension inside GE. "There was always this rub between" GE Chairman Jack Welch and GE Capital Chief Executive Gary Wendt, Neal says. Some say the two men spoke only rarely.

Wendt quit in 1998, and Welch retired as chairman in September 2001, succeeded by current Chief Executive Jeffrey Immelt. In July 2002 Immelt separated the gargantuan GE Capital, which comprised 28 different businesses, into four arms, with the newly named GE Capital Services as their umbrella. (He then folded insurance back into Neal's division in July this year.)

All of GE Capital had assets of \$70 billion in 1990. Fifteen years later just one

GE Chief Executive Jeffrey Immelt.



Frontier Airlines saves \$5 million a year thanks to free GE consulting.

part of that behemoth, Neal's commercial finance arm, is more than tripled that total to \$233 billion in total assets (essence, its loans outstanding). The division's aftertax income has grown elevenfold in the same period.

Neal weathered some tough turns along the way. The division took an \$800 million hit to earnings in 2002 and 2003 as jet-leasing business got hurt by airline losses, says a report UBS analyst David Bleustein. Neal says the business (switched a new division in July) is on the rebound, thanks to growing demand in Asia. "We can take planes back from [bankrupt] Airways and two days later have them in Asia. Some of our fastest-growing customers are in China."

Rising interest rates don't bode well for commercial lending, but the GE suit insists it isn't a worry. "On the positive side, our most profitable businesses are our leasing businesses. Corporations tend to lease more rather than just borrow in high interest-rate environments," he says, adding that his group can make as much as 50% more leasing an asset than by simply making a loan. Recessions don't bother him, either. "In a recession," he says, "we are the biggest bankruptcy lender."

Some hurdles, however, limit Neal's hell-bent pursuit of growth. Unlike his counterpart, David Nissen at GE's consumer finance business, Neal passes up such booming markets as China, Russia and Brazil. He does business only in places with a stable government and a legal system that protects the property rights of foreigners. Neal has 80 people scouring the world for businesses to buy, although the most obvious deals are already done. "Acquisitions are more opportunistic," he says. To grow from within, he has 8,000 salesmen and will add 700 more this year. "Every year is hard, every quarter is hard, but I don't think the plan needs to be changed dramatically," he says. "In many places people haven't heard of us."

By the Numbers

Give and Get

GE Commercial Finance shares its corporate wisdom with customers and reaps more business in return.

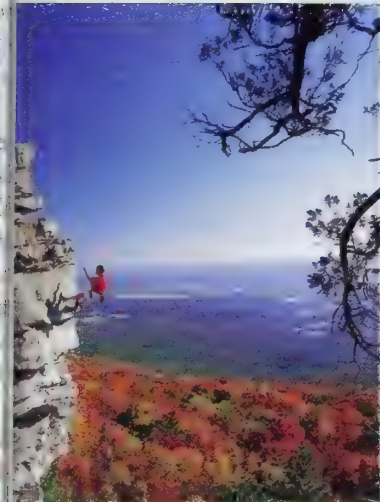
\$4.5 billion Aftertax profits in 2004.

350,000 Hours of "free" consulting provided to 3,000 customers since 2002.

\$15 million Estimated annual cost to GE for this consulting.



Arkansas



A NATURAL FOR BUSINESS AND PLEASURE

Written by
Susan H. Burnell

A land of diamonds, shimmering trout, hot springs and cool pine forests, Arkansas is also favored terrain for thriving global corporations. The attributes that make Arkansas a natural choice are as inspiring as an eagle aloft and as compelling as a soaring profit margin.



LEE SCOTT
CEO
WAL-MART

"Arkansas's natural beauty, welcoming business climate and friendly people make it a great place to live and work. There's no place like home: that's why Arkansas has been Wal-Mart's home for 43 years.

"Today, Wal-Mart is also 'home' in thousands of communities all around the world, helping families stretch their dollars, providing good jobs, and supporting the charities that serve our friends and neighbors.

"The Salvation Army is one of those charities, always there to help neighbors in need wherever they may be. This year, Wal-Mart is happy to help the Salvation Army raise badly needed funds by extending its 'Red Kettle' drive at all 3,800 Wal-Mart stores in the U.S. The kettles open November 18, and I hope you'll join Wal-Mart in supporting this vital organization this holiday season."

www.walmart.com

WAL★MART
ALWAYS LOW PRICES.

Always.



Hot Springs
historic
Bathhouse
Row, built
around
town's
thermal
springs.
has deli-
visitors
generati-

Wal-Mart was founded in Arkansas, and Swiss food giant Nestlé made its largest investment ever in the state. Five of Arkansas-based companies — Alltel, Arkansas Best, Hunt Transport, Murphy Oil and Tyson Foods — made *Forbes* Platinum List of 400 in 2005. Investment banking firm Stephens is headquartered in Little Rock, the state's capital. Seven Arkansas cities ranked as Hot Cities for Entrepreneurs by *Entrepreneur* and the National Center for Policy Research. And Allied Van Lines, the world's largest mover of families, consistently places Arkansas among the nation's top "magnet" states, with a large percentage of inbound moves.

"Arkansas's economy is large enough to support any size company, including the largest company in the world," says Larry Walther, director of Arkansas Department of Economic Development. "But we're small enough to provide personal support and make companies feel they're part of an economic development team that's keenly interested in their growth."

The cost of living in Arkansas's cities is low — consistently below the national average. Businesses enjoy low tax obligations through a variety of incentives, exemptions, credits and refunds. Employers find Arkansans possess a general spirit and strong work ethic. The state's leaders have a balanced approach to economic development that makes land available to growing companies yet safeguards abundant natural areas for the enjoyment of future generations.

IN THE GROWTH ZONE

"The movement of industries southward is still going on, and we see the importance of Arkansas becoming even more important in the future," says Mitsuhiro Nishino, president and chief executive officer of Arkansas Steel Associates (ASA) in Newport, Ark. "If you draw a diagonal line across the North American continent from east Canada's major industrial area to Mexico, it will show that Arkansas is the navel of NAFTA. Our company's Arkansas location allows us to cover all markets in Canada, Mexico and the U.S." ASA is a division of Tokyo-based Sumitomo Corp., a world leader in the production of railroad tie plates.

Since the North American Free Trade Agreement was established, Arkansas has experienced a significant increase in the value of exports to Canada and Mexico. The combined value of the state's exports to the Americas and Caribbean topped \$1.6 billion in 2004. Exports to Europe have also seen significant growth led by a dramatic increase in the aerospace sector. There are now more than 1,000 foreign-owned firms in the state, concentrated most heavily in the industries of machinery, metals, rubber and plastics, and food and related products categories.

ONE HOLIDAY TRADITION WORTH KEEPING.



This holiday season, Wal-Mart will match, dollar for dollar, funds donated to The Salvation Army bell ringers at any Wal-Mart or SAM'S CLUB location up to one million dollars. So please, give generously. And help Wal-Mart support The Salvation Army, a tradition that brings help, and hope, to our friends and neighbors in need. Together, we can make the season a little brighter for those who need it most.

WAL★MART





SCOTT FORD
PRESIDENT AND CEO
ALLTEL

"Arkansas's business environment fosters the entrepreneurial spirit and respects financial acumen. We at Alltel are fortunate to be beneficiaries of this environment. Over the past 40 years, Alltel has grown from a small rural telephone company into the nation's largest owned and operated wireless network. We did this while growing with our Arkansas home. Today we serve and bill 15 million communications customers in 36 states. Central Arkansas is an excellent location for conducting business, with a history of solid growth from medical, high-tech, educational, industrial and tourism sectors. Alltel Arena, an 18,000-seat multipurpose arena, flanks the north shore of our downtown community and has played a major role in the renaissance of this area. Our 3,600 Arkansas employees enjoy a thriving economy, a vibrant city and the beauty of Arkansas's unspoiled rivers, lakes and forests.

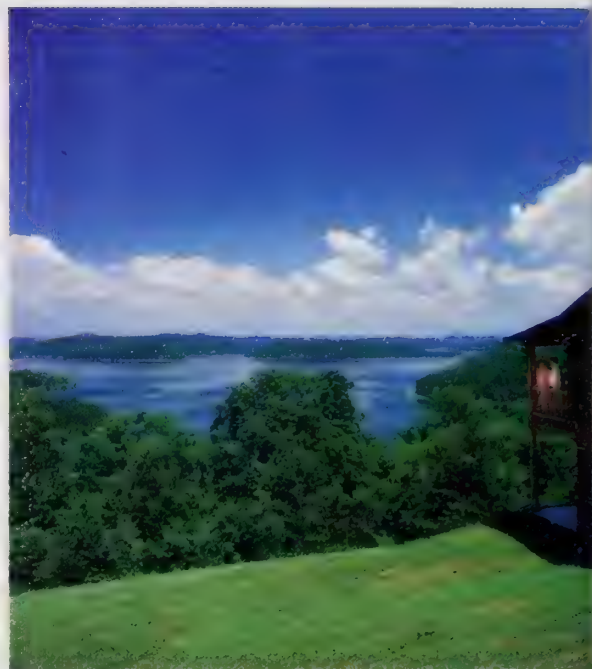
"We proudly call Arkansas home, and we invite you to do the same."

www.alltel.com



Nestlé Prepared Foods Company is one of the major international investments Arkansas economic development officials point to with pride. Owned by Nestlé S.A. of Vevey, Switzerland, the world's largest food company, the subsidiary opened a 325,000-square-foot frozen food manufacturing facility in Jonesboro, Ark., in 2003.

"At the time, our \$165 million expenditure to establish the new facility represented the largest capital investment ever undertaken by Nestlé," says Jay Weaver, vice president of operations. "We were very clear about what we'd need to assure future success, focused on geographic location, transportation accessibility, utility infrastructure and labor availability. We found a few communities that could deliver all of these requirements, but ultimately, we selected Jonesboro. Leaders there had planned for their future, targeting the food processing industry. It helped us 'quick-start' our project. This area offers our associates and their families a quality of life that we feel is essential to attract and retain top-quality leaders for our operation."



Cabins like this one overlooking one of the state's many crystal-clear lakes are popular with vacationers.

NATURAL ASSETS GOOD FOR BUSINESS

It's the lure of the land that often factors into a CEO's first encounter with Arkansas. "One of the biggest surprises to first-time visitors is that Arkansas is more geographically diverse than they expect," says Richard Davies, executive director for the Arkansas Department of Parks and Tourism. "In addition to the Ozarks, we have the great Delta farmlands to the east, West Virginia frontier around Fort Smith, Ouachita Mountains near Hot Springs, and to the south we have oil country like that in Texas."

"Nature is one of the things that impressed our company officials about Arkansas," says Inoue. "Here, my family and I enjoy the dynamism of nature in our daily life. We say, 'Newport has nothing Tokyo has, but Tokyo has nothing Newport has.'"

Arkansas's natural variety provides an abundance of recreational opportunities, whether pleasure comes before work or accompanies it. The Natural State is home to hundreds of lakes, streams and rivers, 51 state parks, 10 national parks and three national forests. Hunters pursue a wide variety of game and fishermen enjoy the 700,000 acres of lakes. Among the state's 9,000 miles of navigable rivers and streams is America's first national river.



Forbes Global 2000

Forbes Platinum 400-the Best Big Companies

Forbes Best Managed Companies in America

Fortune 500

S&P 500

Arkansas' Largest Technology Employer

We're on some impressive lists,
including the state we list as home.

21,000 employees, 36 states, \$10 billion in annual revenues. We're America's largest owned and operated wireless network. And we serve 15 million communications customers. It all started in Arkansas, the state we love to call home.





JOHN TYSON
CHAIRMAN AND CEO
TYSON FOODS, INC.

Grandson of the company's founder, Tyson Foods Chairman and CEO John Tyson has worked in the company since he was a teenager in virtually every department, from operations to sales and marketing to governmental relations. John has led his company from a successful \$7 billion poultry company to its current position as the world's largest processor and marketer of chicken, beef and pork products, with revenues grossing more than \$27 billion annually.

John actively participates in many public service and professional organizations, including the Business Roundtable. He also supports the Bridge School project, an educational program that assists children who have severe speech and physical impairments. Additionally, he serves on the advisory board for the Walden Woods project, which houses the Thoreau Institute, a research and educational facility. In 2005, John was named one of the 11 most influential people in the food industry by *Food Processing* magazine.

A devoted father of two, John is also engaged in supporting the well-being and education of youth. As such, he is actively involved in Tyson Foods' philanthropic efforts with a focus on education and hunger relief.

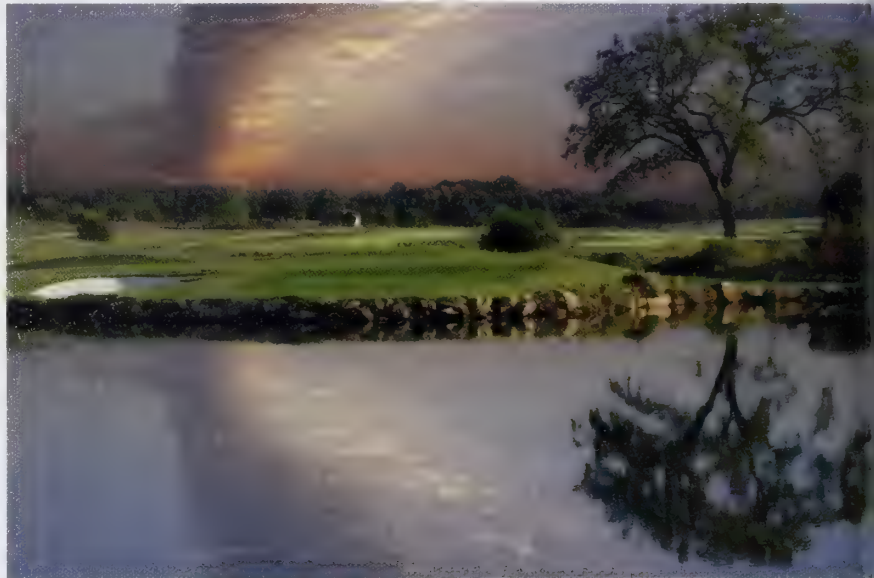
John is a graduate of Southern Methodist University. He lives with his family in Springdale, Ark.

www.tyson.com



the Buffalo. Whitewater paddling, sailing, skiing, swimming and scuba diving are popular sports, along with hang gliding, rock climbing and mountain biking. Scenic byways traverse the state, offering history along with adventure. The Sugarloaf Trail, America's first national nature trail, is just one of the many great places to hike. Arkansas has 181 golf courses, 15 of them featured on the Natural State Golf Trail.

"For a state with a population of 2.8 million, we think it says a lot that more than 20.6 million people visit every year," says Davies. The tourism industry employs more than 90,000 statewide. Arkansas is working to preserve environmentally important areas while it encourages visitors to enjoy its natural wonders. More than 300,000 acres of bottomland hardwoods, now protected in east Arkansas by the federal government, the state government or private entities. The 2004 rediscovery of the rare ivory-billed woodpecker in the Big Woods, a 550,000-acre corridor of floodplain forest along the Mississippi River, prompted Governor Mike Huckabee to form an interagency task force to coordinate the state's efforts to protect the woodpecker and promote ecotourism in the state.



The Natural State Golf Trail features 15 challenging and beautiful courses all around the state, such as the one shown here: Big Creek Golf and Country Club in Mountain Home, Ark.

"Sometimes I think people from other states and countries appreciate the Big Woods more than those of us who were raised here in Arkansas," says Governor Huckabee. "This part of the state is truly a natural jewel. This land that must be saved and maintained for the enjoyment of our children and grandchildren."

The White River in North Central Arkansas is one of the most beautiful rivers in America, shares Jim Gaston, owner of Gaston's White River Resort in Lakeview, Ark. "The crystal-clear water is a cool 52 degrees year-round and happens to be home to the best trout fishing in the world. Guests travel from all over the country to vacation here and enjoy our first-class resort and natural surroundings. Activities range from trout fishing and hiking to water sports and biking."

The abundance of scenic variety works as a recruiting tool for Heifer International. The international humanitarian assistance organization built

Rush hour.

Powered by



Hemmed-in Hollow near the Buffalo National River, Arkansas



Since 1935, Tyson Foods Inc., the world's leading producer of chicken, beef and pork, has been powering economic growth and quality of life in the Natural State, and we're proud to call it home. Experience a new kind of rush. Check out Arkansas and Tyson Foods today.

www.tyson.com

Powered by Tyson is a trademark of Tyson Foods, Inc.



JOHN ROSANVALLON
PRESIDENT AND CEO
DASSAULT FALCON

"I started with Dassault the same year the company acquired a small operation called Little Rock Airmotive from FedEx Founder Fred Smith, in 1975. Originally, the idea was to 'complete' our Falcon business jets for the Western Hemisphere and the Pacific Rim in Little Rock. Since that time, I've had the pleasure of watching our great company grow and prosper and our operation in Little Rock expand to 10 times its original size to become the world's largest completion center for business jets."

"Now, regardless of their final destination, all of our Falcon business jets come through Little Rock. I like to say that these airplanes are assembled 4,000 miles away in France but their individual personality is born right here in Little Rock."

"The strong partnership we have with the city and state combined with the dedication of our 1,600 employees in Little Rock have helped propel Dassault Falcon into an industry-leading manufacturer of business jets."

www.falconjet.com



headquarters in downtown Little Rock after considering Seattle, Chicago and other locations. "As we hire from around the country, every candidate is excited about our organization's work in sustainable development," says Jo Luc, president and chief executive officer. "They're not always sure they want to move to Arkansas. But once we bring them in for an interview, they fall in love with the natural beauty, the recreational opportunities and the ease of getting from one place to another."

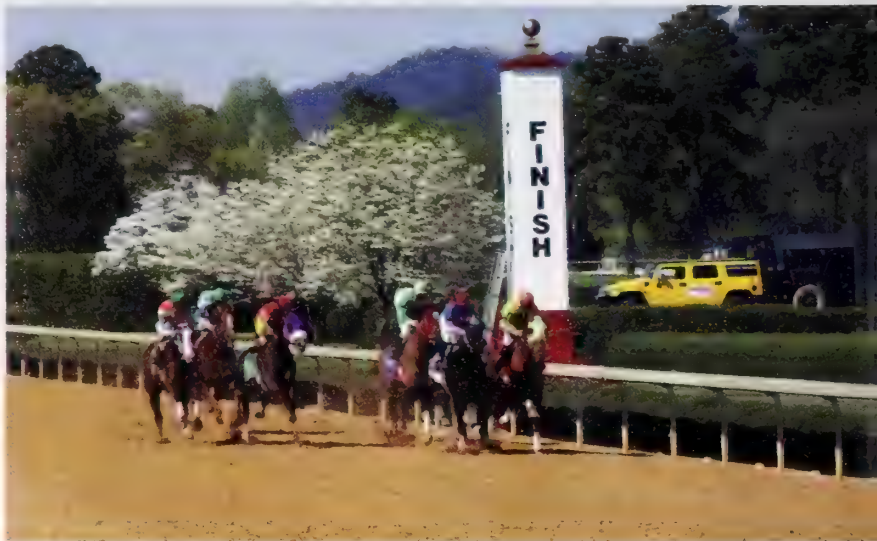
Adds Davies, "People can fly into Little Rock to do business, and within an hour of the city they can be duck hunting or trout fishing. In about two hours, they can be at the Crater of Diamonds State Park hunting for diamonds with their families."

INDUSTRIAL DIVERSITY — A PROFITABLE MIX

Industrial diversity is one of Arkansas's economic strengths. Manufacturing accounts for 18% of the gross state product, and transportation equipment is a growing sector. Recent locations and expansions include Hino Motor, a producer of parts for Toyota; DENSO, which manufactures heavy-equipment radiators and automobile air-conditioners; and automotive parts firm Eakas.

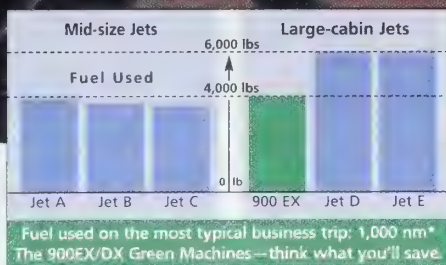
Arkansas has approximately 200 plastics and rubber companies, and the number is expected to grow as more automotive parts suppliers establish their presence in the state. America's Choice Products, Eakas, K-Tops Plastics Manufacturing, Progressive Foam Technologies, Systex Products Corporation, Uniforce Plastics and Cryovac, Inc. are among the companies that have recently located or expanded in Arkansas.

Aeronautics companies have found room to soar in the state. Dassault Falcon, a subsidiary of Dassault Aviation, has operated its business jet completion center in Little Rock for 30 years, employing 1,600 skilled craftsmen in engineering, administration and maintenance personnel. It added an \$8.2 million paint hangar for its Falcon 7X line last year, and expects to invest more than \$13 million in the Little Rock facility by the end of 2005. Lockheed Martin and Raytheon also have expanded their facilities in the state.



During its centennial year, Oaklawn Park Thoroughbred Racetrack, in Hot Springs, hosted Smarty Jones, winner of the 2004 Kentucky Derby.

LEAVE YOUR COMPETITION AT THE FUEL TRUCK.



While they're still filling up, you're up and away in a Falcon 900EX. The most versatile, fuel-efficient jet in its class — by design.

Its three engines handle small airports and big oceans with ease.

It hops from city to city, picking up passengers, then leaps across a continent — *without having to refuel.*

And it sips fuel like a smaller jet. Nearly a ton less than others in its class on a 1,000 nm trip — nearly three tons on long trips — yet you give up nothing in comfort and elegance.

Maybe that's why today's tough-minded, tech-savvy CEOs are calling our Falcon 900EX and our new — even more efficient — 900DX:

"The Green Machines."

**DASSAULT
FALCON**

ENGINEERED WITH PASSION

Visit our website at falconjet.com. Or call: U.S. 201.541.4600 France 33.1.47.11.82.32

*Source: Business & Commercial Aviation, May 2004



ROBERT L. SHOPTAW
CEO
ARKANSAS BLUE CROSS
AND BLUE SHIELD

"Arkansas is our home, and its citizens are our sole focus when it comes to health insurance. But Arkansas is also a great home base to expand your business nationally. Arkansas Blue Cross now administers Medicare operations in six states and operates a thriving life insurance company licensed to do business in 48 states. Arkansas can be the start of something big."

www.arkansasbluecross.com



Arkansas
BlueCross BlueShield



GARY VOIGT
PRESIDENT AND CEO
ELECTRIC COOPERATIVES
OF ARKANSAS

The Electric Cooperatives of Arkansas, consisting of a network of 17 electric distribution cooperatives, a statewide service organization and a generation and transmission cooperative, provide electricity to 460,000 consumers in 74 of Arkansas's 75 counties. Electric cooperatives are democratically controlled, not-for-profit organizations formed to provide reliable and affordable electric service to their members.

The Electric Cooperatives of Arkansas are proud to be a part of Arkansas's bright future.

www.ecark.org



Electric Cooperatives
of Arkansas

Distribution firms Scholastic, Infinity Intermodal and Smith Wholesale Drug have likewise discovered that Arkansas delivers what they need to thrive. Wal-Mart, Target, Dillard's, Skil-Bosch and many other firms also have major distribution centers in Arkansas.

"Scholastic chose to locate a 500,000-square-foot warehouse in Maumelle, Arkansas, because of its advantages both logistically and economically," said Beth Ford, senior vice president for the company's Global Operations Information Technology group. "We were able to purchase a top-quality facility and, more important, we were able to hire top-quality personnel. From the governor on down, state and local officials in Arkansas demonstrated genuine interest in our business and in our success."

Within the last few years, Arkansas has seen significant growth in the service industries and in its health and biotechnology sectors. Biotechnology and life sciences are among the targeted industry sectors the state seeks to court for expansion and relocation.

Agriculture and agriculture-related biotechnology play an integral part in the Arkansas economy. The state leads the U.S. in the production of rice, and it's the nation's second-largest poultry producer. In addition to Nestlé, food processing leaders Tyson Foods, Frito-Lay, Gerber, Pinnacle Foods, ConAgra and McKee Foods have found a recipe for success in Arkansas. Tyson Foods, the company that processes and markets the most chicken, beef and pork in the world, is headquartered in Springdale, Ark.

Rich in natural resources, Arkansas is the world's top producer of bromine.



The world-famous White River, Little Red River and many more rivers in Arkansas produce trout fishing and fun by the boatload.

quartz crystal. Its mines yield gypsum, limestone and onds. The state is also the nation's only producer of aculite, recognized worldwide and used in sharpening ves and surgical instruments.

LOOKING FOR CORPORATE GEMS

No diamond in the rough, Arkansas has a polished roach to winning and keeping business in the state.

"We have a great story to tell," says Governor Huckabee ne state's business climate. "Last fall, 64% of Arkansas ers approved a constitutional amendment that will allow o issue bonds for infrastructure improvements for large omic development projects. It's another tool for us to as we take our state's message not just across the coun- but also around the world."

The amendment will help Arkansas attract superpros of more than \$500 million that create at least 500 v jobs. Steel mills, paper mills, corporate headquar-, pharmaceutical companies, and automobile parts assembly plants are among the types of projects that ould likely meet the criteria, as may emerging tech- nologies such as nanotechnology or biotechnology.

"Arkansas is a business-friendly state," says ADED Director Walther. "In addition to state funding for super-projects, many cities and counties have recently passed economic development sales taxes. One of the main reasons companies say they've located or expanded in Arkansas is the cooperation of state and local officials and the knowledgeable economic developers in our communities."

"In Arkansas, we found that state and local offi- cials worked in concert," says Nestlé's Weaver. "That cooperation was enormously helpful to us as we went through our decision-making process. Governor Huckabee, ADED, the Jonesboro Chamber of Com- merce and members of the Jonesboro Industrial Development Commission all worked very closely together to make Arkansas Nestlé's first choice for the location of our new factory."

To help Arkansas companies develop global markets, ADED promotes exports and provides market research, agent and distributor searches, consulting, workshops and trade missions. The department's two foreign offices promote the state to companies seeking to establish North American facilities. The Little Rock

HERE < HERE > ANYWHERE

Arrive>Depart>Connect

to airports serving two vital regions with daily direct flights from:

ANTA • BALTIMORE/WASHINGTON • CHARLOTTE • CHICAGO/O'HARE/MIDWAY • CINCINNATI • CLEVELAND • DALLAS/LOVE/DFW • DENVER • DETROIT
USTON/HOBBY/INTERCONTINENTAL • KANSAS CITY • LAS VEGAS • LOS ANGELES • MEMPHIS • MINNEAPOLIS/ST. PAUL • NEW YORK/LGA
WARK • ORLANDO • PHOENIX • SALT LAKE CITY • ST. LOUIS

LITTLE ROCK NATIONAL AIRPORT (LIT) serves approximately 2.1 million passengers annually, with more than 150 daily flight arrivals and departures connecting central Arkansas directly to eighteen national and international gateway cities on board airlines.

NORTHWEST ARKANSAS REGIONAL AIRPORT (XNA) serves one of America's most dynamic regions, comprised of Bentonville, Fayetteville, Rogers, Siloam Springs and Springdale with almost 60 direct round trip flights daily to sixteen destinations on six airlines.

LITTLE ROCK
NATIONAL AIRPORT

One Airport Drive • Little Rock, AR 72202-4402 • (501) 372-3439 • littlerockairport.aero

NWA
Northwest Arkansas Regional Airport

One Airport Boulevard • Suite 100 • Bentonville, AR 72712 • (479) 205-1000 • flyxna.com

YOU CAN COME AND GO FROM HERE, TO THERE, TO EVERYWHERE.



Foreign Trade Zone offers special tax incentives for companies involved in international commerce. Foreign trade subzones are located in El Dorado, Forrest City and West Helena. ADED reinforces its welcome to international firms by offering its official Web site, www.1-800-Arkansas.com, in Italian, German, French, Portuguese and Japanese versions as well as English.

BIG-CITY CULTURE, HOMETOWN CHARM

Arkansas communities vary from sophisticated urban centers to small rural hometowns. The Milken Institute ranks the Northwest Arkansas Corridor formed by Fayetteville, Springdale, Rogers and Bentonville among the nation's top performers for job growth. In 2004, *Forbes* included Fayetteville among its "Porch Swing Communities" and Hot Springs in its "Telecommuting Heaven" list, and both cities were ranked among the "60 Cheapest Cities." Little Rock is consistently among *Expansion Management's* "America's 50 Hottest Cities" and is one of the "100 Best



Communities for Young People," as designated by America's Promise program. Eureka Springs ran fifth on *American Style* magazine's list of America's arts destinations in 2005.

"Company leaders are truly impressed by the welcome they receive in Arkansas," says Walther. "They enjoy the appeal of a cosmopolitan lifestyle in a slow and more relaxed setting, and often comment that

have all the amenities, with none of the frustrating traffic jams."

Visitors and newcomers find plenty of surprises in Arkansas cultural offerings, says Heifer International's Luck. "Any weekend, you can find choices on par with what you'd expect to find in New York, Los Angeles or San Francisco. In Little Rock, we have the River Market District with live music, the Riverfest Amphitheatre, symphony, ballet, restaurants, pubs, and the Alrosa Arena for basketball, arena football, concerts and conventions. A lot of those options didn't exist even a decade ago. I've lived all around the country and I'm perfectly thrilled to have this as home base."

"The metro Little Rock region continues to grow," notes Paul Harvel, president of the Little Rock Regional Chamber of Commerce. "Our economic diversification, recently recognized by Moody's Investors Service, continues to be a major strength that attracts both new

World Class Completions by World Class People



Adams Field
Little Rock, Arkansas

For more information call 501.372.1501

Hawker

Raytheon Aircraft Company

©2005 Raytheon Aircraft Company. All rights reserved.

The William Jefferson Clinton Presidential Center and Park has hosted more than 400,000 visitors in less than one year of operation.



pany locations and existing company expansions." Little Rock was ranked 21st on *Forbes'* 2004 "Best Places for Business and Careers" list. "Our metropolitan style coupled with warm Southern hospitality gives us a winning combination," says Harvel.

Heifer International's headquarters on the south bank of the Arkansas River is adjacent to one of Little Rock's newest tourist venues: the William J. Clinton Presidential Center and Park. Within walking distance of the Clinton Center is the Whitehouse Convention Center, one of the largest convention centers in the state. The state also has convention facilities in Hot Springs, 50 miles from Little Rock, and in Fort Smith, Fayetteville, Pine Bluff, Jonesboro and Springdale.

The Crystal Bridges Museum of American Art, a Walton Family Foundation project, will open in May 2009. Located in Bentonville, where Wal-Mart is headquartered, it is taking shape as one of the nation's premier American art museums. The multifaceted Walton Arts Center in Fayetteville is home to the North Arkansas Symphony Orchestra and hosts more than 100 public events each year, drawing 140,000 people annually from Arkansas, Kansas, Oklahoma and Missouri.

Another gem is the Thorncrown Chapel on the outskirts of Eureka Springs, created by architect Fay

Jones. In 2001, Thorncrown was named one of the top 10 designs of the 20th century.

The Natural State also has a rich musical history. The annual Arkansas Blues and Heritage Festival in Helena along the Mississippi River attracts an audience from around the world for three days of blues performances. Ozark Folk Center State Park in Mountain View, open from mid-April through October, is the only park in America devoted to the preservation of Southern mountain music and folkways.

Hot Springs, the first federally protected reservation in the nation's history, features 147-degree thermal water in its world-famous Bathhouse Row resort spas. Hot Springs is also home of Weyerhaeuser Company's Fixed Wing Operation and the master-planned Mid-America Industrial Park — as well as Oaklawn Park, which celebrated its 100th year of thoroughbred racing in 2004, the same year Smarty Jones won the Arkansas Rebel Stakes, Arkansas Derby and Kentucky Derby. West Memphis has Southland Greyhound Park, the largest dog-racing track in the mid-South.

A place of
care,



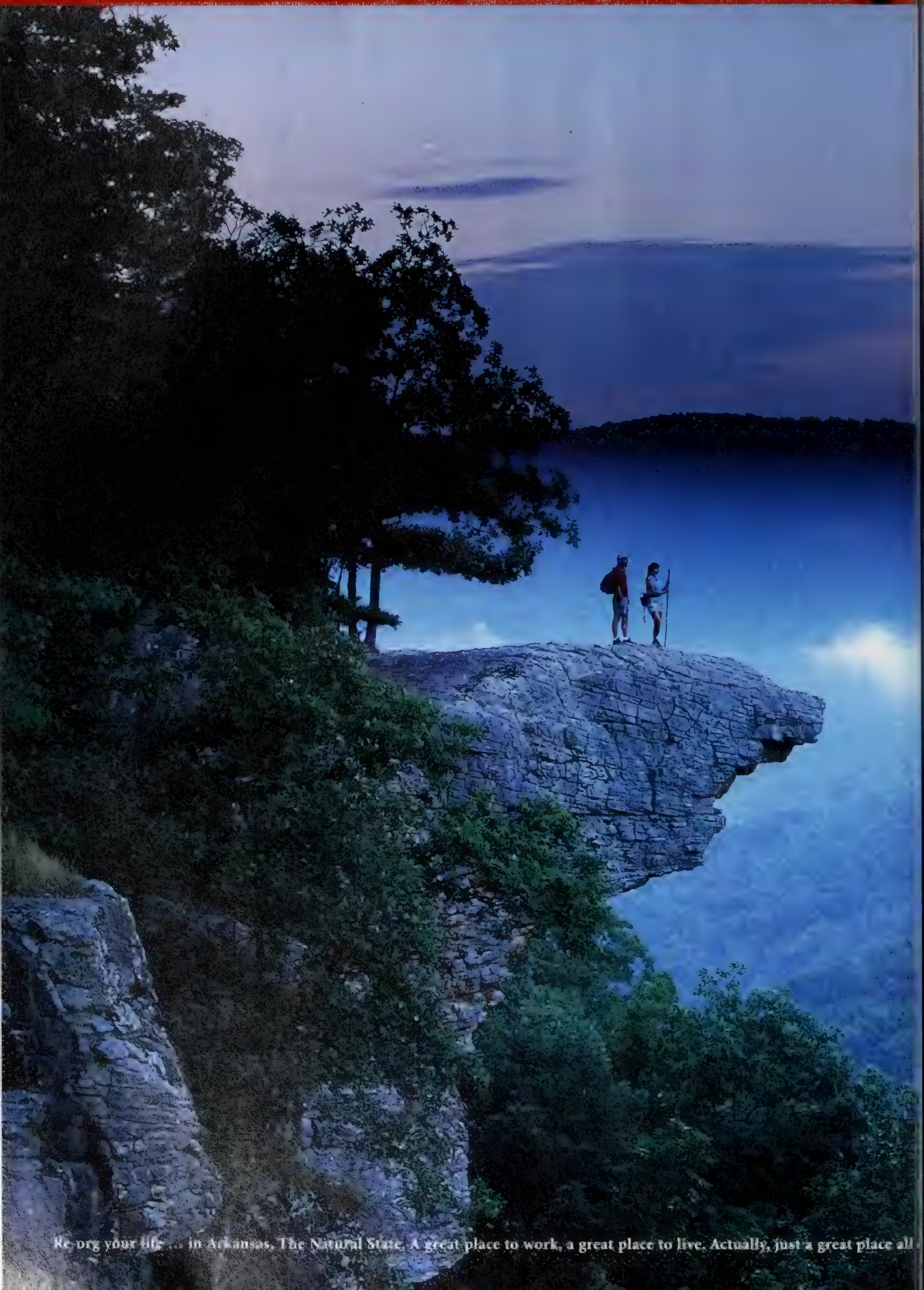
love,

& hope



**Arkansas
Children's
Hospital**

www.archildrens.org



Re-org your life ... in Arkansas, The Natural State. A great place to work, a great place to live. Actually, just a great place all



See how living here can enrich your life and business. For complete information, kindly turn the page.

Arkansas

FOCUS ON EDUCATION, R&D ADVANCES

Education at all levels is valued in Arkansas. "The workforce of tomorrow will need access to advanced tools and skilled educators in order to compete," says Walther. "Our major employers are investing generously in schools and universities to enhance our ability to develop a well-prepared workforce."

Arkansas leads the nation in Environmental and Spatial Technology (EAST) labs, a program that prepares students for the high-tech workplace while they work on important community service projects. In 1991, Arkansas was one of the first states in the nation to establish a residential public high school for academically advanced juniors and seniors. The Arkansas School for Mathematics, Science and the Arts in Hot Springs consistently ranks among the top 1% of schools in the nation.

Enrollment at Arkansas colleges and universities reached an all-time high of 141,500 in Fall 2005. Since 2000, enrollment has grown by 17%, and almost 60% since 1990.

In June 2005, the University of Arkansas at Fayetteville surpassed \$1 billion goal set for the Campaign for the Twenty-First Century after a \$12.5 million gift from the Tyson Foods Foundation of Springdale put it at the top. "I grew up in Arkansas, so I naturally love the state," relates John Tyson, chairman and chief executive officer, Tyson Foods, Inc. "Most people have heard about Arkansas Razorback football, but don't know about the academic excellence of the University of Arkansas and the outstanding programs it provides in areas such as teaching, business, engineering, medicine, law and agriculture."

In April 2002, the University of Arkansas received \$300 million from the Walton Family Charitable Support Foundation, the largest gift ever made to a public university. This gift was in addition to the \$50 million the foundation gave to the Sam M. Walton College of Business at the university in 1999. In 2004, the college's economics department was ranked 50th among the top 200 economics departments in the world, according to the *Journal of the European Economic Association*.

The challenges of an aging population are getting a high degree of attention at the University of Arkansas for Medical Sciences in Little Rock. UAMS houses one of only three geriatrics departments in the country affiliated with a college of medicine. The department trains professionals in this developing area of medical treatment, prevention, wellness and functional independence. *U.S. News & World Report* ranks the UAMS Department of Geriatrics among the top 10 in the nation and regularly includes UAMS among America's best hospitals and graduate schools.

UAMS is also noted for medical research. Arkansas doctors have announced major discoveries in treating osteoporosis through bone regeneration. The university's Arkansas Cancer Research Center is internationally known in several areas, including multiple myeloma, a cancer of the plasma cell. More patients with myeloma are treated at the UAMS Myeloma Institute for Research and Therapy than anywhere else in the world. UAMS physicians and surgeons also staff Arkansas Children's Hospital in Little Rock, one of the largest pediatric hospitals in the nation.

The UAMS Biomedical Biotechnology Center houses the Arkansas

Arkansas. Where work meets play.

For vacation planning information (including a free Arkansas Vacation Planning Kit), visit arkansas.com or call 1-800-NATURAL.

Arkansas
THE NATURAL STATE

For information on Arkansas' thriving business climate and relocating or starting a business here, visit 1-800-Arkansas.com or call 1-800-ARKANSAS.

ARKANSAS
A natural for business

ventures incubator, which has worked with 18 start-up companies and has four in the pipeline. To date, it has transferred more than 150 patent applications to businesses. The University of Arkansas in Fayetteville has its own program for developing successful high-tech companies: the Genesis Incubator.



"We're trying our best to get the word out about what a great place Arkansas is to do business ... When it comes to recreation, we have scenic destinations from one end of the state to the other ... I think Arkansas deserves a serious look."

**Arkansas Governor
Mike Huckabee**
Chairman, National
Governor's Association

PROXIMITY TO MAJOR MARKETS

Halfway between Canada and Mexico, the Carolinas and California, Arkansas is only a tank of gas away from one-third of the nation's population. Because of its central location, Arkansas provides a valuable transportation advantage. No county is more than 65 miles from a navigable river. Arkansas has excellent transportation systems. Interstate 40, the most traveled interstate highway in the nation and a major thoroughfare from coast to coast, runs through the center of Arkansas, providing access to markets from North Carolina to California. A billion-dollar program to improve approximately 380 miles of interstate highways is nearing completion.

Arkansas is home to two of the nation's top 10 trucking companies. J.B. Hunt is the nation's leading transportation provider and the nation's largest publicly traded truckload carrier. ABF Freight Systems serves all 50 states and has international operations offering service to 230 ports in 130 countries. FedEx Freight, a less-than-truckload market leader, is based in Harrison, Ark.

Little Rock National Airport serves a large part of the state and a population approaching 2 million. The airport is adjacent to the Port of Little Rock and its designated Foreign Trade Zone, all part of a multimodal transportation system that includes air, river, rail and interstate highway access. The new Northwest Arkansas Regional Airport in Benton County is one of the newest airports in the country. Several regional airports throughout the state are served by major commuter lines.



RICHARD DAVIES
EXECUTIVE DIRECTOR
ARKANSAS DEPARTMENT
OF PARKS AND TOURISM

"Arkansas is this well-kept secret. We've got mountains, rivers and lakes and the Delta, and awesome fishing, hunting, boating, and great dining and nightlife and cultural attractions ... all the things that make an unforgettable vacation. Our research shows that once people discover us and visit here, they really like us. And every year, some 20 million people do just that. We're Southerners, so we just enjoy extending that hospitality."

www.arkansas.com

Arkansas
THE NATURAL STATE



LARRY WALTHER
DIRECTOR
ARKANSAS DEPARTMENT
OF ECONOMIC DEVELOPMENT

"Companies of all sizes and sectors find a quality business environment in Arkansas. They're on a first-name basis with top officials from the governor on down, and economic development professionals at all levels go the extra mile to exceed their expectations. If you're considering a Southern site, we hope Arkansas is at the top of your list."

www.1-800-Arkansas.com
E-mail: director@1800arkansas.com

ARKANSAS
A natural for business

Arkansas also has superior rail service, with 2,750 miles of track connecting to major U.S. destinations. Union Pacific Railroad's \$70 million state-of-the-art intermodal facility is located on 600 acres at Marion, Ark., just north of the convergence of Interstates 40 and 55. Nearby is the Burlington Northern Santa Fe's Harvard Yard, plus close access to three other rail carriers. The Marion site is across the Mississippi River — the nation's most traveled river — from Memphis, with its international airport and FedEx Superhub.

SOMETHING FOR EVERYONE — NATURALLY

Whether Arkansas pops up on executives' radar screens as a vacation venue or an expansion location, it's becoming a natural choice.

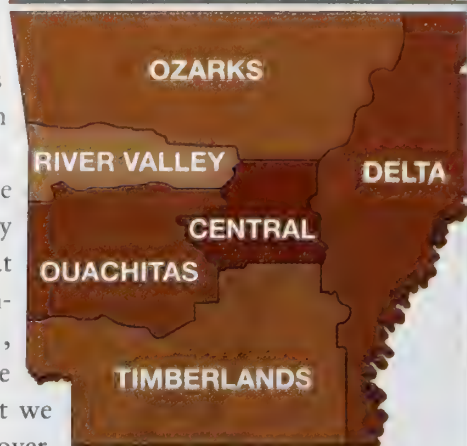
"If I were asked the question about moving to Arkansas, I'd make the recommendation to any business that they consider it strongly," says Nestlé's Weaver. "There is a spirit of cooperation at state and local levels, the sense of urgency to get things done, the quality of life in the communities, and just a spirit of wanting to do right things right for the

citizens and businesses that exist in Arkansas."

"People are genuinely surprised at how accommodating, competitive and efficient we are," says Governor Huckabee.

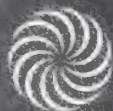
"We're trying our best to get the word about what a great place Arkansas is to do business. We have a smart, proactive economic development infrastructure. The state is blessed with an excellent central location, and we have developed a fine transportation network. When it comes to recreation, we have scenic destinations from one end of the state to the other. Fishing, hunting, golf or just relaxing — there's something for everyone in Arkansas. Add to that a low cost of doing business, hardworking people and a marvelous quality of life. I think Arkansas deserves a serious look."

ARKANSAS BY REGION



What have Alltel, Acxiom, Dillard's and Cardinal Health discovered that your business hasn't?

Where to set up shop. Each of these companies is based or has new operations in Arkansas. In fact, several Forbes Global 2000 firms are located here. Two in Metro Little Rock. Why? Because Metro Little Rock is a growing region with all the key ingredients to foster successful business with support from companies like Entergy Arkansas. With 15 colleges and universities in the area, increasing local business expansion, and a motivated and talented workforce, Metro Little Rock is fertile for business. So go to metrolittlerockalliance.com and find out what Metro Little Rock can do for your business.



METRO
LITTLE ROCK
ALLIANCE

Big On Business

1-800-905-6577

www.metrolittlerockalliance.com

WEB DIRECTORY

ALLTEL
www.alltel.com

ARKANSAS BLUE CROSS
AND BLUE SHIELD
www.arkansasbluecross.com

ARKANSAS CHILDREN'S HOSPITAL
www.archildrens.org

ARKANSAS DEPARTMENT
OF ECONOMIC DEVELOPMENT
www.1-800-Arkansas.com

ARKANSAS DEPARTMENT
OF PARKS AND TOURISM
www.arkansas.com

DASSAULT FALCON
www.falconjet.com

ELECTRIC COOPERATIVES
OF ARKANSAS
www.ecark.org

LITTLE ROCK NATIONAL AIRPORT
www.lrn-airport.com

METRO LITTLE ROCK ALLIANCE
www.metrolittlerockregion.com

NORTHWEST ARKANSAS
REGIONAL AIRPORT
www.nwara.com

RAYTHEON AIRCRAFT COMPANY
www.raytheonaircraft.com

TYSON FOODS, INC.
www.tyson.com

WAL-MART
www.walmart.com

A Tough Row

In the race to woo U.S. farmers with genetically modified seeds, Swiss Syngenta is up against Monsanto. It's one ugly contest | By Tatiana Serafin



"Farmers don't like being held ransom to one supplier": Michael Pragnell, Syngenta's chief.

JOHN PEDERSEN HAS FARMED HIS third-generation homestead for 38 years. He and his wife, Connie, have also been dealers for Golden Harvest, which sells conventional and genetically modified seeds for corn and soybeans, over the last 15 years. But now their twin livelihoods are in trouble. Last November the Pedersens received a letter informing them that, within a year, they shouldn't count on biotech seeds from Golden Harvest anymore. The warning came from Monsanto, which licenses the technology for those modified

seeds and plans not to renew the agreement. Coincidentally, the licensee for the last year and a half is Monsanto's chief competitor: Syngenta AG of Basel, Switzerland. "We're being strangled," says Connie.

So is Syngenta, which is betting its future on sales to American farmers, who spend \$3.6 billion a year on bioengineered seeds. But to set down roots in the U.S., Syngenta (2004 revenue: \$7.3 billion) relies on certain Monsanto technology until it gets approval for its own rival seeds. And Monsanto, whose modified seeds are planted in half of all cornfields and more than three-quarters

of soy fields in the U.S., isn't willing to surrender a square inch of its virtual monopoly without a fight. Michael Pragnell, Syngenta's chief executive, is happy to put up his dukes. "Farmers don't like being held ransom to one supplier," he says.

Syngenta's progenitor, Ciba-Geigy, toyed with biotech in the mid-1990s when it introduced an insect-resistant corn seed. In November 2000, when Syngenta was formed from agricultural units of Novartis and Zeneca, biotech seed sales were a paltry \$171 million, or 2% of sales (up through mid-2005 they amounted to \$431 million,

or 8%). Pragnell spent his first two years laying off 3,000 or so employees and closing overlapping manufacturing and research sites (trimming costs by \$362 million by 2002). Sales of Syngenta's bread-and-butter pesticide, fungicide and herbicide sprays, which have hovered between 80% and 85% of revenue, were threatened largely because farmers planting hardier genetically modified seeds needed them less. So Pragnell put his money on the newfangled stuff sold to U.S. farmers.

Trouble was, Syngenta had but one biotech offering of its own; as a result, it has had to play catch-up from a standing start. Its U.S. brand, NK, licensed an herbicide-tolerant technology for soybeans from Monsanto. Its modified seeds to protect against corn rootworm won't be on the market until 2007. Monsanto, by contrast, already has so-called triple-stacked seeds that protect against an herbicide, as well as against two insects; Syngenta's may be out by 2008. The ultimate prize, awaiting federal approval, is a corn-seed additive that is more digestible to animals than traditional (prebiotech) corn and another that can better resist drought. "Long-term independence will come when we get regulatory approval for our own products," says Pragnell, a Brit who spent 20 years at Courtaulds Plc., the giant textile company, before heading to Zeneca Agrochemicals. In the States approval involves a combination of thumbs-ups from the U.S. Department of Agriculture, the Environmental Protection Agency and/or the Food & Drug Administration. That's on top of field testing, which can take two years or more.

Monsanto has a three-year lead on altered seeds. The St. Louis agrogiant is madly boring into biotech, as it must. With its chemicals business, Solutia, spun off but still a legal liability, and its previously best-selling pesticide, Roundup (\$2 billion in sales and falling), now off-patent, genomics and seeds represent its best hope and 52% of its \$6.3 billion in sales for the fiscal year ended Aug. 31.

Pragnell had plenty of cash to buy into the game. However, the shortlist of suitable acquisition targets—which license their seeds—has put Syngenta in the untenable position of both partnering and colliding with Monsanto. As a result the two rivals

are fighting it out less in the fields than in the courthouse.

In May 2004 Syngenta acquired from Bayer the rights to produce corn seed that can tolerate the herbicide glyphosate, providing the same protection against weeds as Roundup. But Monsanto, claiming it had developed the herbicide-tolerant technology, retaliated. In a patent-infringement suit

tol clause" in the contracts.

Syngenta doesn't quite see it that way, responded with an antitrust suit in July 2004, alleging that "Monsanto launched scorched-earth campaign to cut off Syngenta's access to the market"—essential intimidating farmers into staying away from Garst and Golden Harvest seeds.

related complaint charges Monsanto owned seed companies with poaching Garst employees to obtain trade secrets. Monsanto says both suits are frivolous and accuses Syngenta of inappropriately exploiting Monsanto technology.

The war of the acres isn't likely to end anytime soon. Syngenta reported a 6% increase in total seed sales for the first half of the year to \$1.2 billion, but that was largely driven by the selloff of existing stocks. Golden Harvest and Garst seeds. Until it breaks free with its own seeds, the company must still pay Monsanto an estimated \$100 per acre each time it uses the technology, equivalent to giving up 30% of its operating profit, reports analyst

Patrick Lambert at equity research firm Helvea. To boot, Monsanto has recently been raising those fees. No big mystery why Syngenta's stock, which trades as an AD, has been stuck for some time at \$21.

Out on the horizon things look brighter. Last year Pragnell began moving his biotech seed R&D operation from the U.K. to the more welcoming Research Triangle Park in North Carolina. Syngenta has some cool ideas in development, from rice that packs a greater vitamin A punch to "biopharmaceuticals," plants that provide raw materials for drugs, as well as hybrid fruits and veggies. But along the way, the company must avoid dumb mistakes—like the accidental sale earlier this year of a strain of modified corn that didn't have regulatory approval. The company had to pay a \$375,000 fine. Sighs Pragnell, who is 50. "Things we don't control can derail us."

By the Numbers

The Rise of Frankenfoods

Resistance to bioengineered crops is crumbling, thanks largely to broad acceptance in the U.S.

200 million Total worldwide acreage of biotech crops planted in 2004, a 20% increase over 2003.

88% The percentage of worldwide acreage of genetically modified crops represented by soybeans and corn.

\$4.8 billion Total retail value, worldwide, of biotech crops last year.

59% The U.S. share of the world's acres planted in genetically modified seeds, 118 million acres last year.

Sources: National Corn Growers Association; International Service for the Acquisition of Agri-biotech Applications.

it alleges that the rights to that technology could not be transferred from Bayer to Syngenta. Monsanto later sent letters to farmers, ominously suggesting that certain biotech seed brands (read: Syngenta's) were "illegal" for human consumption in Europe—and hence useless for export. Some farmers called the threat crude propaganda and continue to send their crops for animal use.

Pragnell's next acquisitions sparked similar flare-ups. His \$680 million purchase of U.S. seed players Garst and Golden Harvest in June 2004 nearly tripled Syngenta's position in gene-spliced corn and soy to 15% of the total market. Soon after, Monsanto pulled the plug on licenses with Golden Harvest and sued Syngenta for patent infringement; Garst licenses probably won't be renewed. A Monsanto rep insists this isn't revenge. The company, he says, is simply enforcing a "change-of-con-

the #1
event for
interactive
marketing

new york

NOVEMBER 7-9, 2005 | HILTON NEW YORK



Steve Cone
Global Head of Brand
Management & Advertising,
Citigroup Global Wealth
Management



Sean Dee
Vice President & Chief
Marketing Officer,
Hard Rock International



Cindy Gallop
Co-Chair, Branded Content
Marketing Association,
former Chairman, BBH



Bob Greenberg
Chairman, CEO and
Chief Creative Officer,
R/GA



Guy Kawasaki
Managing Director, Garage
Technology Ventures
and Chief Evangelist,
FilmLoop, Inc.



Kevin Roberts
CEO Worldwide,
Saatchi & Saatchi



James Surowiecki
Writer, The New Yorker



Deborah Wahl-Meyer
Vice President Marketing,
Lexus Division of Toyota

US AT: WWW.AD-TECH.COM

ad:tech
media marketing technology

NUM GOLD

Advertising Age AdAge.com Forbes a.com WebSourced, Inc. Casale ad:tech revenue.net

RIA AdDrive patran PRECIS iC MediaDIRECT.COM EXCELLENCE IN ONLINE ADVERTISING Netblue SINGER DIRECT Vendare Media WhenU

ZE ingenio Pay Per Call Advertising Platform & Network AOL media networks AXILL dotomi

TRIBAL fusion Google PARTNER WEEKLY UNITED ONLINE Offermatica

ECOB blocher bluestreak DIRECT eMarketer ExactTarget Knows.com INBOX MARKETING

RED HERRING revenue Singa webmaster RADIO WEBMASTERWADIO.FM WEBSHOTS AAAA ANA mma media marketing

●●● online publishers association womma

Google Thinks Small

It has huge sales, prodigious profits and a bid to log all the information in the world—one tiny project at a time.

By Quentin Hardy



Google CEO
Eric Schmidt:
Seeing a new way to
build companies.

GOOGLE CHIEF EXECUTIVE ERIC Schmidt realized he was at a new kind of company soon after joining in 2001. At a 10-person management meeting—Google employed only 180 people at the time—everyone talked, fast, about whether to put ads on Internet search results. It was a two-hour debate, and each combatant had lots of data to back up his position.

But the decision to proceed was pretty much unanimous, launching Google on a path to torrid growth. Schmidt realized this company loves to talk it out, jettisoning hierarchy, business silos and layers of management for a flatter, “networked” structure where the guy with the best data wins.

“It was a big conversation. The networked model is a conversation,” says

Schmidt, a brainiac engineer who worked at the famed Xerox PARC labs, then ran strategy at Sun Microsystems and was chief executive of Novell before joining Google.

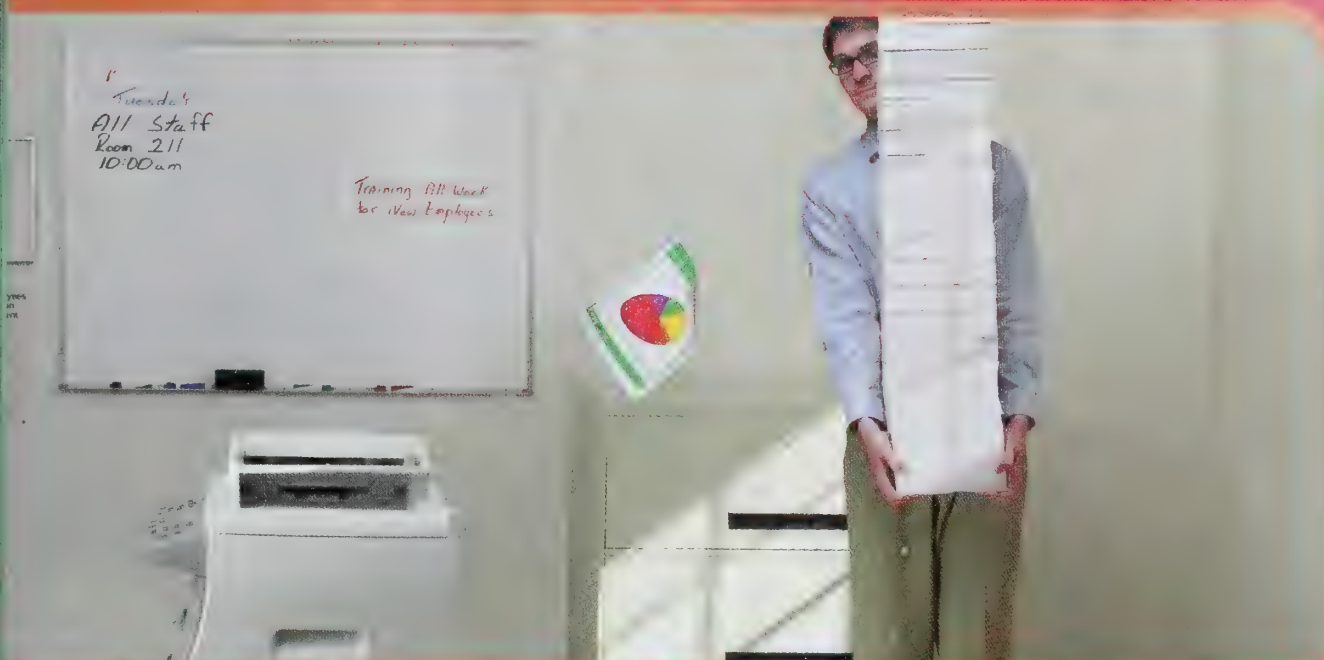
Google is now at \$6 billion a year in revenue and \$7.6 billion in cash, employing 5,000 painstakingly chosen people. Schmidt and other insiders believe they may have found a world-changing way to run a company. (Then again, nothing Google does, in its own view, is ever average.) Most firms still look like the refining and manufacturing businesses of Rockefeller and Ford. Google founders Larry Page and Sergey Brin, children of the Internet, have built a world where a well-chosen elite accommodates flexibility, shifting roles and, above all else, urgency.

Google prides itself on hiring only the

truly brilliant (and the unabashedly arrogant, rivals say) and believes the crowd always outsmarts anyone inside it. Google shares all the information it can with as many employees as possible, encouraging debate but insisting on like-minded cooperation. It also pursues a rapid-fire, food-fight strategy that throws out ideas as fast as possible, to see what sticks.

Brin and Page have created a corporate organism that tackles most big projects in small, tightly focused teams, setting them up in an instant and breaking them down weeks later without remorse. “Their view is that there is much greater progress if you have many small teams going out at once,” Schmidt says. The mission overall: to collect “all the world’s information” and make it accessible to everyone. “It’s a cause.”

Print what you want. How you want.
As much as you want.
(What more could you want?)



FREE iPod Shuffle

Xerox Phaser® 8500N

- Print speed: up to 24 ppm black and color
- Resolution: up to 1200 dpi FinePoint™
- RAM: 128MB std., 256MB max.
- Duty cycle: 85,000 pages per month
- USB and 10/100BASE-TX Ethernet
- 1-year limited onsite warranty

XEROX

\$899⁹⁹

CDW 731540

\$100

REBATE AVAILABLE*



FREE LABEL PRINTER*

Brother MFC-8440DN

- Network-ready, flatbed laser, duplex multifunction center
- Print and copy speed: up to 21 ppm
- Print resolution: up to 2400 x 600 dpi
- Paper handling: 300-sheet page capacity
- Parallel, USB 2.0 and Ethernet ports
- 1-year limited warranty

brother

\$599⁹⁹

CDW 671111



INSTANT SAVINGS BEGINS 10/31/05

HP Color LaserJet 2600n Printer

- Print speed: up to 8 ppm black and color
- Resolution: 600 x 600 dpi with HP ImageREt 2400
- RAM: 16MB
- Network-ready
- Paper handling: 250-sheet input capacity
- 1-year limited warranty



\$399

PRINTER CDW 771111

-40

INSTANT SAVINGS*

\$359

The Printing Solutions You Need When You Need Them.

No matter what size your business, there's more work, tighter timelines and smaller budgets than ever before. New printers, with more features and better reliability, can help. CDW has a full line of top-name printers. And with access to the industry's largest inventories, we'll get you the right one for your needs. So call today and start working better and saving more.



The Right Technology. Right Away.™

CDW.com • 800.399.4CDW

In Canada, call 888.898.CDW • CDW.ca

*Receive free iPod Shuffle with the purchase of Phaser 8500N; call your CDW account manager for details; offer ends 12/31/05. *Contact your CDW account manager about available \$100 online manufacturer rebate; offer ends 12/31/05. *Receive a free Brother P-touch 1400 Labelmaker with purchase; call your CDW account manager for details; offer ends 12/31/05. *Contact your CDW account manager about \$40 instant savings; offer valid from 10/31/05 to 11/27/05. Offer subject to CDW's standard terms and conditions of sale, available at CDW.com. © 2005 CDW Corporation



**Engineering head
Alan Eustace:
Let a hundred
projects bloom.**

Hundreds of projects go on at the same time. Most teams throw out new software in six weeks or less and look at how users respond hours later. With 82 million visitors and 2.3 billion searches in a month, Google can try a new user interface or some other wrinkle on just 0.1% of its users and get massive feedback, letting it decide a project's fate in weeks.

One success in ten tries is okay; one in five is superb. Everyone from a failed venture moves to another urgent project. "If something is successful, you work it in, somehow," Schmidt says. "If it fails, you leave."

A typical task, from tweaking page designs to doing scientific research, involves six people. Orkut, a social network with several million users (most of them in Brazil and Iran), has three full-time staffers. Last month Google was reported to be in a bid to derail Microsoft's overtures to America Online

[Images](#) [Groups](#) [News](#) [Froogle](#) [Local](#) **New!**

"Fear and suspicion happen when information is hidden."

Google Search **I'm Feeling Lucky**

by teaming up with Microsoft's cable ally, Comcast, to invest in AOL; that this didn't leak earlier may have been because only a few Googlers were in on it.

One true god rules at Google: data. The more you collect, the more you know and the more certain your decisions can be, disciples believe. Gut instinct, a staple at Barry Diller's InterActive Corp. and at Terry Semel's Yahoo, isn't in evidence at this company. "Often differences of opinion between smart people are differences of data," says Marissa Mayer, director of

consumer products and among Google's first 20 employees. In some meetings people aren't allowed to say "I think ..." but instead must say "The data suggest ..."

Every Google employee starts the week writing five lines on what he or she did the week before. They are posted on an internal Web site for all to see. New product ideas circulate among thousands of engineers on an "ideas mailing list." An e-mail flies out every time someone posts (there are now thousands in the archive). The e-mails are half brainstorming, half search for kindred spirits, inviting others in the crowd to join you on a project you propose. They have spawned much of the software inside everything from the Gmail e-mail product to a controversial effort to digitize thousands of books.

Caffeine and a sense of community fuel these pursuits. At the Googleplex, the crowded headquarters in Mountain View, Calif., coffee stations have urns labeled "regular" and "strong." Private offices go to only a few dozen of the brass. Even Kai-Fu Lee, the China superstar who defected to Google and sparked a lawsuit from his former employers at Microsoft, shares a cubicle with two other guys.

One key rule: You can't call any idea "stupid." (Nor is most any idea too wild.) On a recent day at the Google campus

bulletin board invited workers to a session on the dream of erecting a 200-mile-high elevator into space.)

This ideas-and-data approach lets Google use fewer managers—one for every 20 line employees, compared with one for as few as 7 industrywide. "It has been as high as one to 40," Mayer says; one manager had 180 direct reports. Another benefit, she says, is that employees may be better braced should Google stock, which went public at \$85 in August 2004 and is now at \$340, suddenly cratered.



The Xerox Phaser® 8500 network color printer delivers heavyweight specs at a featherweight price. Which means it can take on anybody.

Xerox Color. It makes business sense.

For spec, the Xerox Phaser 8500 is one tough network color printer with amazing moves at just \$899. Like up to 24 color pages a minute and an industry-leading first-page-out time that delivers stunning 600 dpi color in just 6 seconds. As Driver Color Controls to match output color to the color on your computer screen. And talk about



endurance! With one of the largest standard paper capacities in its class, it just keeps going. The Phaser 8500 is easy to install and maintain. Solid ink technology even makes it environmentally green. Naturally, it comes from a line of winning color printers and multifunction systems. To learn more, contact us. Our little champ will knock you out.

XEROX

xerox.com/office/1986
7-362-6567 ext. 1986

Technology | Document Management | Consulting Services

XEROX CORPORATION All rights reserved. XEROX® Phaser® and Xerox Color. It makes business sense are trademarks of XEROX CORPORATION in the United States and/or other countries.



Products manager
Marissa Mayer:
Data + Velocity = Invention.

"In a downturn you want your people to feel empowered. Fear and suspicion happen when information is hidden."

Some applicants may start with one of Google's famous—and ridiculously difficult—exams. (Sample: "Find the first ten-digit prime number in the mathematical constant called 'e'.") Prospects endure eight or more interviews. Each interviewer ranks them on a 1-to-4 scale; a 4 means "I would hire this person, and I will argue why," while a 3 means "Inclined to hire, but can be argued out of it." A panel of eight Googlers reviews the scores. Later annual regression analyses compare performance with initial ratings. One anomaly: Women with weaker scores end up performing *better* than women with all 4s.

"The interview still isn't picking something up," worries Mayer, a former debate champion whose rapid speech races to catch up with an even faster brain.

[Images](#) [Groups](#) [News](#) [Froogle](#) [Local](#) **New!**

"Their attitude is we don't get it ... they are in a hurry without time for us."

Google Search **I'm Feeling Lucky**

Schmidt credits her with inventing the Google way, starting with building the Google roster. "We need generalists," she says. "Lots of projects and companies grow without doing new things; they just get bigger teams. We want projects to end."

Once deemed Google-worthy, new hires get bid on by managers across the company. Workers are asked to spend 20% of their time on something that interests them, away from their main jobs. Companywide a full 10% of time is spent dreaming up blue-sky projects.

Some brilliant prospects don't get hired, flaming out when background checks show they are difficult to work with. "It takes discipline not to hire some of these people, they are so smart," says engineering chief Alan Eustace. "But Google also doesn't take much for a single person to subtract 10% from everyone else. Very quickly, that reduces your total output."

But Eric Schmidt worries how long Google can make it all sing. The bigger Google gets, the harder it is to foster useful conflict and make fast decisions. And the stronger Google gets—its third-quarter net income soared sevenfold to pass \$38 million on sales that almost doubled to \$1.58 billion—the more it comes into the crosshairs of sniping detractors.

The Association of American Publishers is suing Google over its plans to scan the contents of several major libraries, fearing large-scale copyright infringement. "Their attitude is that we don't get it, we are flat-earth people, and they are in a hurry without time for all this," says the publisher group's president, former congresswoman Patricia Schroeder. "The model is to get all the content for free—great for them," she says, predicting, "They'll do the same to the movie industry. Hollywood won't like it."

Marc Meyer, who knew Schmidt at

UC, Berkeley and worked with him at PARC, says Schmidt sees a day when Google will hold everyone's data on a "trust me" basis. "He told me, 'If you want it to be private, don't put it in a computer,'" says Meyer, now at a recent tech startup. "Eric has an Anakin Skywalker conundrum. He has absolute power, and it will be hard to resist the Dark Side."

Schmidt counters: "I joined a small company full of smart guys, and it still feels like that. We just have to change our side perceptions."

Some red,
some black
and your
perspectives
open up



It's the effect of Société Générale financial services.

Being an innovative bank means gaining the freedom to imagine anything. Driven by its ability to look ahead, Société Générale now has a workforce of 93,000 in 80 countries and has become steadily stronger in its three key areas: banking, 326 billion euros⁽¹⁾ managed by global investment management and services and a confirmed leadership in corporate and investment banking (euro capital markets, derivatives and structured finance). Société Générale has become a first choice partner for its customers around the world. If you too, have a taste for innovation, you will soon see what the "Société Générale red and black effect" can do for you. (1) at 31/03/05. www.socgen.com

Société Générale is authorised by Banque de France and the Financial Services Authority, and is regulated by the Financial Services Authority for conduct of UK business in the United States, certain securities, underwriting, trading, brokerage and advisory activities are conducted by Société Générale Group's wholly-owned subsidiaries, SG Americas Securities, LLC, and SG Cowen & Co., LLC, both registered broker-dealers and members of NYSE, NASD and SIPC.

**Red,
black
and
rising.**



PAYMENT SERVICES



ASSET MANAGEMENT



PRIVATE BANKING



GLOBAL SECURITIES
SERVICES FOR INVESTORS



CORPORATE &
INVESTMENT BANKING



GROUP

Castro's Medical

AT 4 A.M., HOURS BEFORE A PINK sun would climb above the hills near Harare, Zimbabwe's capital, Leonel Córdova was jerked awake. "Get up! Get up, now!" screamed the figure bursting through the door. Córdova, a doctor from Cuba, sat up on the couch. A policeman from the brutish African state, muscles bulging under his jacket and khaki-colored trousers, towered over the medic, pointing a gun barrel in his face. Córdova could hardly breathe. There was at least one other cop in the small, dark room now, with a gun trained on another Cuban, a dentist named Noris Peña.

The two Cubans had committed a potential act of treason: Though promised to faltering Zimbabwe on behalf of the Cuban government, they had left the mission days earlier, escaping to a local's home. That morning, with the door flung open in the predawn chill, Peña shivered in her T shirt and shorts. Her heart pounded as the cops steadied their guns and then motioned for the two to get into a waiting jeep. "I felt like we were going to die," she recalls, five years later.

Córdova, 36, and Peña, 30, are two of at least 60,000 Cubans who have, for decades, been dispatched as part of what Fidel Castro terms his "humanitarian medical missions." Of late this effort has grown more pointed, with new medical degrees being churned out and ever more doctors, nurses and dentists dispatched abroad—even as the state of care in Cuba itself deteriorates. What is El Jefe up to?

Few of the *médicos* see as much drama as Córdova and Peña did. Most quietly complete multiyear stints, sometimes in remote regions, in dozens of countries in Africa, Latin America and parts of Asia. They then return home, many times to even more poorly equipped hospitals and clinics in Cuba.

But a disturbing picture emerges from the ranks of those who, like Cór-

dova and Peña, never go back. These two "deserters," as Cuba labels them, ultimately managed to slip to freedom, joining perhaps hundreds of others who've taken refuge in Canada, the U.S. or Europe. Most don't want to be located or identified, preferring not to bring further trouble onto themselves or family still in Cuba. *FORBES* interviewed nine.

Castro dispatched his first medical brigade to Algeria in 1963 and has since boasted that in spite of a U.S. trade embargo Cuba managed to provide these trained missionaries to the world. He delighted in offering 1,500 doctors to help America deal with Hurricane Katrina. (Washington said it didn't need the help.)

The Cuban missions have multiple aims. At some level, certainly in the minds of the medics themselves, this is humanitarianism. It is also a chance to practice their field with resources absent at home.

But for the Castro regime there are

While clinics crumble at home, bereft Cuban doctors are dispatched on El Jefe's goodwill missions. But their purpose, it turns out, is more than just charity care.

By Susan Kitchens



What the dictator ordered: Venezuela's Hugo Chávez gets medical attention from Fidel Castro.

Mercenaries



A better life: Noris Peña and Leonel Cordova with his two children in New Jersey.

political and financial objectives.ipping out the doctors bolsters support Cuba in international circles such as United Nations, where it faces periodic human-rights censure. And extending social services to the poor assists ideologically aligned despots like Robert Mugabe of Zimbabwe and Hugo Chávez of Venezuela, which has the largest Cuban

contingent, some 22,000 at last count.

Physicians have been diverted to presidential palaces in the cases of the ailing, 81-year-old Mugabe and onetime Sandinista boss Daniel Ortega of Nicaragua, according to Alcibiades Hidalgo, a ranking Cuban government official who defected to the U.S. in 2002. Saddam Hussein was treated for a spinal tumor by

at least one Cuban surgeon while ruling Iraq, Hidalgo has written.

And then there's the money: Castro's doctors help to keep the Cuban regime equipped with hard currency. While a number of the destination countries are destitute, others make cash or in-kind payments to Cuba, and Castro maintains a firm grip on such inflow, say those who

study Cuba's economy.

Doctors exiled from Cuba say that in exchange for their mission work they earned a third or less of what Havana got for their services from foreign governments. The balance may amount to hundreds of millions of dollars for the state till, perhaps destined for handling by foreign banks (see box, p. 208).

At their clinics for the dirt poor abroad, these medical emissaries get a further shock: They see drugs in use that are manufactured in Cuba—such as ones to treat asthma or heart disease—but are unavailable at home. “People I knew in Cuba needed these medications,” says one doctor who recently

fled a mission in Venezuela and wouldn't talk on the record. (“Deserter” families still in Cuba are routinely punished, losing apartments or jobs, for example. To retain such leverage, the government prefers not to send unmarried doctors.)

Aside from tourism and nickel Cuba has little to offer the rest of the world in exchange for cash. What Castro lacks in salable goods he can make up for with Cuba's highly literate population of 11 million, especially those in medicine. In the last five years enrollment in Cuban medical, dental and nursing schools has more than doubled to 50,000, according to Cuban state statistics.

Outside of the schooling achievement most promises of Castro's 1959 *revolución*, including good health care for all, have been shunted aside. “At first I believed in the *revolución* and everything it stood for,” says one Cuban doctor, Alejandro Ramos, 62, who when younger went on a medical mission to Angola. “But when things begin falling apart, you start to see there is no hope, no future, if you stay in Cuba. You become desperate to find a life for yourself and your family.” Years later, in 1994, he escaped to Miami by boat with his family. Now a nurse at Coral Gables Hospital, Ramos is part of a group that assists doctors who've fled. (At



Leaving African post cost Alfredo Hevia his sequestered pay.

his age he elected not to obtain certification here as an M.D.)

Even in South Africa, one of the better postings over the years for a Cuban doctor, the negation of professional status can become too much. “People used to tease me because I was a ‘principal medical officer,’” says Alfredo Hevia, 37. “And medical officers, people below me who were fresh out of school, were driving BMWs. And they would ask, ‘Why don't you get a car?’”

Though he was happy to have served a neglected patient population for two years in South Africa, Hevia slipped into U.S. exile in 1999. Cuba seized nearly all the modest pay it had sequestered for him. Hevia now is an internist at Baptist Hospital in Miami.

A Pair in Flight

Leonel Córdova's story is extraordinary enough to have received notice in the south Florida press as it played out four years ago. But it shares origins in the experience of other young doctors in

Cuba after the fall of its Soviet benefactors. As Córdova graduated in 1992 from Havana's High Institute of Medical Sciences, life in Cuba was changing for the worse. Starting as a family practitioner in Havana, he was making a few dollars a month in pesos. In earlier years, with billions of dollars in food, oil and other basics coming in from Cuba's big Communist ally, such meager pay would have gotten him by. But then staples became scarce. Castro blamed the U.S. embargo.

By the mid-1990s Cuba's vaunted medical program was crumbling as well. Hospital patients asked relatives in Miami to send bedsheets, pillowcases and cotton balls because Cuba's hospitals had none. Hospital hallways were dark because state stole the lightbulbs in order to resell them. Some doctors complained they couldn't write prescriptions: no paper and no pens. Córdova's frustrations mounted. Some days, he turned patients away. “You can make a diagnosis, but there's no medication to treat it,” he says. “No penicillin, no aspirin. It is like a bad joke.”

Yet at certain hospitals, such as Ciriaco García in Havana, the shelves were well stocked with drugs and top-of-the-line equipment. Ciriaco García strictly treated foreigners with hard-currency payments. Cuba's ruling elite—doctors' families not included.

Life for Córdova, with a wife and two young children, was growing meager. People relied on cunning—often stealing—not just lightbulbs but chicken, vegetables and soap—to resell. In earlier years Córdova was able to buy a refrigerator. Now he put

the fridge to use, selling ice cream treats for 3 cents each, and chickens on the side. Doctor pals did similarly. By this time Córdova was earning about \$20 a month from the government, the average medical salary in Cuba. Still not enough.

Yet as a physician Córdova did have one out. He could go abroad on a mission. Córdova had heard that by working overseas he could earn \$100 per month—though a portion would be deposited in

“When things begin falling apart, you start to see there is no hope, no future if you stay in Cuba.”

*I know that a quarter-inch
right here is the difference
between retro and "uh-oh."*

*But selling vintage dresses online—
I'm just not sure where to start.*



© 2005 Network Solutions, LLC All rights reserved

Our Real-Person Customer Service™ consultants will get you the answers you need at every step—it's customer care that's tailored to your exact measurements, even if you're just starting out on the Web. Call us toll free, 24/7 to find out all the ways we can help take your business farther.

Easy Build-It-Myself Web Site™
Build-It-For-Me Web Site Design™
Real-Person Customer Service™
Personalized E-mail
Online Sales & Marketing Tools

**CUSTOMER
SERVICE**
That's not from
a different cloth

Network**Solutions**

Go Farther™ 

Call or click: **1.866.455.2005** | www.networksolutions.com

Cuban bank account, touchable only on completion of the typical two-year stint.

In early 2000 Córdova flew to Harare with 100 other medics. It was his first trip outside of Cuba, and his government still clearly controlled his every move: During a layover in London the Cubans were not allowed to exit the plane.

Córdova soon grew close to Peña, also in the group. But he also got frustrated again: For weeks he and at least some others in the mission weren't able to see patients; paperwork holdups, they were told. The country's increasingly autocratic Mugabe was facing his last real election, with a population upset that its own doctors and nurses were seeking better conditions elsewhere. Touting Cuban medical help is just a cover, Córdova thought.

He and Peña chose to flee. They got in touch with a UN refugee representative, John Adu, to whom they'd been referred by diplomatic contacts, and he promised to help them leave Zimbabwe. First, however, they told their story to a Harare newspaper, the *Daily News*. It was published on the front page the next day. "We were sent here under the policies of Fidel Castro so that he can appear to the world as a good man. He sent us here for his political goals," Córdova was quoted as saying.

Knowing they could not return to their quarters, Córdova and Peña sought refuge at a Zimbabwean friend's home. For days they met at the UN office with Adu to try to arrange asylum. Then, on the morning of June 2, their safe house's door was burst open by the Zimbabwean cops. The two had become an embarrassment to two regimes.

They were taken to an immigration office for hours before being whisked away for a flight to Johannesburg and on to Havana. But at the stop a South African lawman got nosy. Córdova scribbled a distress note. The officer could only advise the pair to raise a stink on board-

ing the next plane to avoid leaving Africa.

At the Air France flight they recall doing so, yelling, "We are being kidnapped!" and the like. The captain refused to take off, the Cuban pair says, and they were returned to the terminal and days later to Harare. (Air France declines to comment.)

Zimbabwe's immigration boss met them for a 40-kilometer drive outside of the capital to a region called Goromonzi. A one-story detention center was hidden behind a clump of trees. Córdova and Peña were locked up and their shoes were taken away. Once a day they ate grits with

Church World Service, lent them enough for tickets to the U.S. Once in America Peña found work in Atlanta; Córdova got a job at Miami's Mercy Hospital, preparing patients for surgery. Meanwhile Córdova studied to qualify to practice and make plans to get his wife and kids out of Cuba.

But within a year Córdova's wife was killed in a motorcycle accident near home that police said was a hit-and-run. Córdova blitzed the Cuban government with appeals for his orphaned kids, ages 4 and 10. They were freed, and later that year Córdova and Peña, who'd stayed close, were married. The family now lives

in New Jersey. He got certified to practice medicine in the U.S. this summer and is working as a pediatrician at Lincoln Hospital in the Bronx.

Castro's Banker?

CONGRESS IS BEING ASKED TO LOOK into Swiss banking giant UBS amid questions over its handling of bank-note transactions for Cuba.

Newspapers have picked up on Florida Republican Representative Ileana Ros-Lehtinen's complaints that the bank hasn't satisfactorily explained the source of \$3.9 billion processed for Cuba over a period of seven years. UBS paid a \$100 million fine in 2004 for doing business with Cuba and other rogue states and hoped the issue would go away.

It hasn't. Ros-Lehtinen has sent a series of letters to the likes of Treasury Secretary John Snow and UBS Chairman Marcel Ospel. "We're trying to get to the bottom" of where the billions of dollars came from, says her spokesman. Some Cuban-Americans have their own ideas, citing cash obtained from illicit drug trafficking. A 2004 congressional hearing revealed almost nothing, says Ernesto Betancourt, a retired economist.

UBS denies any money laundering and says the amounts were consistent with tourism revenues to Cuba. —S.K.



Oil for Doctors

Venezuela is Cuba's biggest and most important doctor deal, worth an estimated \$1 billion to the island nation last year, second only to its tourism intake. At least 22,000 doctors have been sent there in the last five years.

The terms of the deal were hammered out between Fidel Castro and his friend and political ally Venezuelan President Chávez. An agreement signed in 2000 guaranteed that Venezuela would ship 53,000 barrels of oil per day to the Caribbean island, according to Cuban government reports; Cuba agreed to pay for the bulk of the shipment in cash and "services," including medical help.

But as crude prices climbed, Cuba failed to meet the cash portion of its obligation. So it began sending more of its workforce, including teachers and physical therapists, but primarily doctors. The pact was later revised, with even more oil now for Cuba, nearly 100,000 barrels per day, says Carmelo Mesa-Lago, emeritus economics professor at the University of Pittsburgh. And Chávez pays for the Cuban doctors. "It is a real bonanza

dried fish, served in a big pan that all the prisoners shared, eating with their fingers. Peña lost so much weight that her once-tight-fitting jeans hung on her hips.

During a month in jail the two befriended some guards and persuaded one to call the friend they'd stayed with in Harare. He contacted John Adu of the UN, who said he'd been looking for them.

With Adu's help the Cuban pair left Zimbabwe in July 2000. They arrived in Miami via Sweden; a Christian charity,

THE FORBES CIO FORUM 2005

December 5-6, 2005, The Westin Times Square, New York, NY

CIOs are expected to work magic—pulling rabbits out of hats made of thin air. Is it possible to be on the cutting edge and at the same time deliver a ton of ROI for every nickel spent and still get a warm smile from the CEO? Join *Forbes* magazine as we pick apart the roadblocks to CIO nirvana.

Speakers Include:



Gregor Bailar
EVP & CIO
Capital One



Audrey Pantas
Chief Security Officer
Xerox



Linda Dillman
EVP & CIO
Wal-Mart

TO REGISTER CONTACT

Emily Lord at 212-367-2519; elord@forbes.com

FOR SPONSORSHIP INFORMATION CONTACT

Kim Harrell Sears at 212-724-9759; ksears@forbes.com

The **BIGGEST BEST** **MORNING SHOW**



The #1 Morning Show

Left to Right - Front Row: Liane Carroll, Bill McCuddy, Juliet Huddy, Kiran Chetry, Chris Knowles, Lauren Green, Dr. Manny Alvarez.

Source: Nielsen Media Research. FNC vs. CNN, MSNBC, CNBC & HLN. #1 Morning Show on

ST IMPORTANT ON TELEVISION

**And Our People
Actually Like
Each Other.**



In Cable News

— Back Row: Judge Andrew Napolitano, Alisyn Camerota, Mike Jerrick,
Steve Doocy, E.D. Hill, Brian Kilmeade, Kelly Wright, Janice Dean

Persons 2+ AA(000) Monday-Friday 7a-9a Subject to qualifications available upon request

for Fidel Castro," says Mesa-Lago.

What's more, some of the oil, he says, never even reaches Cuban shores: Crude is sold to buyers in Central America, with the proceeds, most likely in U.S. dollars, transferred to the Cuban central bank.

None of that matters to the people of Parroquia Caucaguita, just beyond view of the gleaming skyscrapers of Caracas. One of many shantytowns that house a large portion of the city's 5 million people, it gives a taste of the poverty of the Venezuelan countryside beyond.

In the barrio the Cubans are regarded as heaven-sent. "I don't care if I never see a Venezuelan doctor for the rest of my life," says Aida Márquez, a petite 72-year-old. She shook a plastic bag in the air. "Because of the Cuban doctors I get free medicines!" Another patient, Gilma López, 60, says one Cuban doctor diagnosed her as having an eye disease; she was sent to Cuba, gratis, where she got several days of treatment. "We ate seven meals a day, got free medicines, and we didn't have to pay for anything," she says.

The Venezuelan doctors ask why Chávez doesn't put oil money into the country's own underfunded public-health system. And some question the credentials of Castro's newly minted medical corps. Venezuela's *El Nacional* newspaper (hostile to Chávez) reported that 96 Cuban doctors in Brazil were sent home after a judge there ruled they weren't eligible to practice.

In addition, Venezuelan doctors complain that their salaries haven't budged in four years, while many are losing work to the Cubans. The imported doctors are resented in anti-Chávez quarters for being central to a growing Cubanization of the country under its radical leader. But they win favor with the lower-class families who keep Chávez in power. Chávez survived a hotly contested referendum on his tenure last year, says Eric Driggs, a researcher at the University of Miami's Institute for Cuban & Cuban-American

"I don't care if I never see a Venezuelan doctor for the rest of my life."

out after that, for fear of being shot," he says. Cuban doctors are known in the neighborhoods as particularly good targets for thieves because they are paid in cash and are not permitted to open bank accounts. An attempted cover-up of a killing led indirectly to López pursuing a six-month escape

to the U.S. He now lives in Miami and works with an organization, Solidarity Without Borders, that helps other doctors flee. His wife, also a doctor, and son, remain in Cuba.

Venezuelan officials say they especially need the outside help for rural areas, though the Cubans are properly certified at home and that Chávez has said he intends to boost domestic doctor pay this year.

A few days of calls to Cuba's diplomatic mission in New York ultimately got a reply, not for attribution, that the global medical missions long predated any other considerations. Any further comment

FORBES would require an appointment, we were told.

Although economic conditions have improved somewhat for average Cubans since the dreary days of the 1990s, doctor shortages and clinical privations remain a way of life. Another recent defection from a medical mission in Venezuela says that in his home city there were once seven clinics; now there

one, as chartered flights loaded with doctors leave Cuba several times each week.

In a society that was to have closed the gap between rich and poor, ordinary Cubans who have waited for years for cataract surgery are often bumped aside so that patients flown in from other countries, presumably with cash, may be treated instead. Castro's people joke among themselves, says one longtime Havana resident, that if they are going to receive any type of medical attention, they'd best get themselves to where they can find some of those Cuban doctors.



Missionary zeal: loyal Cuban doctor Alfredo López in a Venezuelan clinic; delighted patient Aida Márquez.

"This is the first time that the government has been able to aid the poor population in Venezuela," chimes in Mirna Mucura, a social services staffer for Chávez's health department. "Past administrations never cared about doing anything like this."

But the presence of Cuba's doctors in Venezuela polarizes an already divided land. In July the Venezuelan Medical Federation protested in downtown Caracas, demanding that the *médicos* be expelled. The group, whose 60,000 doctors serve a nation of 25 million, says Venezuela doesn't need the medical help.

Studies, after Castro sent in thousands of docs in the months leading up to the vote. A Chávez defeat would have been dire for Castro because the opposition had pledged to halt Venezuela's oil shipments.

When Otto Sánchez, a family practitioner, arrived in Venezuela in 2003, his duties included showing films that praised Cuba's health care system. "The films made it look like it was a very efficient program," says Sánchez, 39.

Propaganda was one task, self-preservation another. Where he was posted, Sánchez says, he locked up for the day just as the sun set. "You could not go



“HOW A BETTER

BUSINESS DECISION BECAME A BETTER HEALTH PLAN.”

We'll be the first to admit that Health Net looks pretty good on paper. **25 years of experience.** More than **2 million members** in California alone. Backed by Health Net Inc., with **annual revenues of \$12B.** But we're even better in action. With products that offer the **affordability and control** you need and the choices employees are looking for. Plus a program called **Decision PowerSM** that's included with every plan. It gives employees resources like a personal **Health Coach,** support videos and reliable information to help them better understand their condition and treatment options.

Like Health Net, Decision Power has developed a following. **More than 100,000 members¹** have used Decision Power since its inception last year. Surveys show that **80%** report that talking with a Health Coach helped them improve their condition and **95%** would recommend the service to a friend.² So if you'd like to hear more about a health plan with programs proven to make a difference in utilization trends and patient satisfaction, call your Broker today. Or call Health Net

1-800-448-4411

www.healthnet.com



Health Net[®]
A Better Decision

THE ENVIRONMENT ISN'T AN ABSTRACT, UNTOUCHABLE THING.

IT'S NOT A CHART, A GRAPH OR A REPORT.

IT'S WALKING INTO THE SEA OF CORTEZ AT SUNRISE.

KAYAKING WHILE A WHALE BREACHES IN FRONT OF YOU.

IT'S THE SUN DIPPING BEHIND A MOUNTAIN RANGE, AGAIN AND AGAIN.

IT'S A PLACE WE LIVE IN, A PLACE WE HAND DOWN TO OUR CHILDREN,

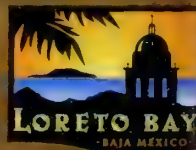
AND THEIR CHILDREN.

IT'S WHERE THE LAND MEETS THE SEA. IN LORETO BAY.

Now, by
nonstop to
Loreto from
Los Angeles
and San Diego,
and direct from
Phoenix and Hermosillo.



Come home in The Villages of Loreto Bay and our new neighborhood, Agua Verde. It's a place of unmatchable beauty, a true sense of community and a total commitment to sustainability. Here, you'll find homes with close ties to the water, where backs to beautiful estuaries and the Sea of Cortez is always just steps away.



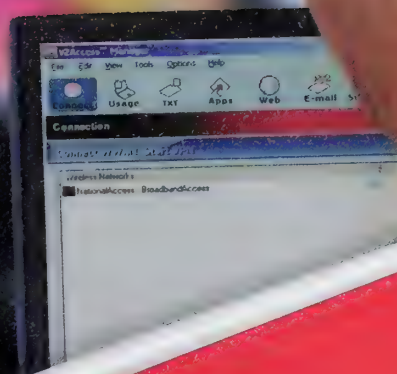
live fully • tread lightly

www.loretobay.com 866.225.09

WARNING: THE CALIFORNIA DEPARTMENT OF REAL ESTATE HAS NOT EXAMINED THIS OFFER, INCLUDING, BUT NOT LIMITED TO, THE CONDITION OF TITLE, THE STATUS, BLANKET LIENS ON THE PROJECT (IF ANY), ARRANGEMENTS TO ASSURE PROJECT COMPLETION, ESCROW PRACTICES, CONTROL OVER PROJECT MANAGEMENT, RACIAL DISCRIMINATORY PRACTICES (IF ANY), TERMS, CONDITIONS, AND PRICE OF THE OFFER, CONTROL OVER ANNUAL ASSESSMENTS (IF ANY), OR THE AVAILABILITY OF WATER SERVICES, UTILITIES, OR IMPROVEMENTS. IT MAY BE ADVISABLE FOR YOU TO CONSULT AN ATTORNEY OR OTHER KNOWLEDGEABLE PROFESSIONAL WHO IS FAMILIAR WITH REAL ESTATE AND DEVELOPMENT LAW IN THE COUNTRY WHERE THE SUBDIVISION IS SITUATED. CALIFORNIA BROKER EDWIN J. RICKETTS.

→ BroadbandAccess

Take your hotspot with you.



Expanding

Coast to Coast

Now in Over 60 Major Metro Areas.

the fastest wide-area wireless broadband network – now available to go.

Say goodbye to Wi-Fi hotspots. With BroadbandAccess, you can have seamless wide-area coverage with your laptop in major cities, all across the country. Client locations, parks, taxi cabs – now you're able to work wirelessly just about anywhere from within the BroadbandAccess coverage area at speeds between 400 and 700 kbps. Buckle up.

Unlimited usage now only **\$59⁹⁹** monthly access

With new 2-year agreement and any qualifying voice calling plan.
Activation fees, taxes and other charges apply.*

Visit a Verizon Wireless store or Circuit City, or go to verizonwireless.com

800.VZW 4 BIZ
1.800.899.4249

verizonwireless
We never stop working for you.®

Surcharges (incl. 2.18% Federal Universal Service (varies quarterly), 5¢ Regulatory/line/mo. & others by area) are not taxes (details: 1-888-684-1888); gov't taxes & our surcharges could add 5%-27% to your bill. \$35 Activation fee per line.

IMPORTANT CONSUMER INFORMATION: Subject to Customer Agreement, Calling Plan & credit approval. \$175 termination fee per line, other charges & restrictions. Cannot combine with other offers. Coverage & offers not available in all areas. BroadbandAccess-capable device required. Not eligible for corporate discounts. Requires compatible PC card (purchased separately). Speed claim based on our network tests with 5 MB FTP data files without compression. Actual throughput speed varies. BroadbandAccess covers over 140 million people. Coverage areas at verizonwireless.com. ©2005 Verizon Wireless



WHEN'S A COMMON COLD, NOT A COLD?

When it's PI. Primary Immunodeficiency disease. A defect in the immune system that affects 10 million worldwide.

It causes children to have frequent infections that are unusually hard to cure. The only way to know is by testing.

Talk to us about PI.

For more information visit us on the web or call 1-866-INFO-4-PI.

JEFFREY MODELL FOUNDATION

www.info4pi.org

Watch TV for hours.

Then turn it on.



Much pleasure is gained from viewing the aluminum framed plasma screen and matching sound system that beauty almost renders the 'on' button irrelevant. It makes watching TV as enjoyable as watching what's on it. Your nearest Bang & Olufsen store at www.bang-olufsen.com or call 800.971.4129.

all-powerful BeoVision 5 & BeoLab 5

BANG & OLUFSEN



Bang & Olufsen Broadway Plaza 1198 Broadway Plaza 925.947.1605 bowc@europeandesigns.net

Bang & Olufsen Costa Mesa 3333 Bristol Street, #2873 714.751.2300 costamesa@beo-mail.com

Bang & Olufsen Fashion Valley 7007 Friars Road, #617 619.542.2020 sales@beofv.com

Bang & Olufsen Old Pasadena 17 East Colorado Boulevard 626.449.5172 pasadenia@beo-mail.com

Bang & Olufsen Rodeo Drive 369 North Rodeo Drive 310.247.7785 rodeo@beo-mail.com

Bang & Olufsen Stanford Shopping Center 11A Stanford Shopping Center 650.322.2264 bopa@europeandesigns.net

Bang & Olufsen State Street 1321 State Street 805.963.0908 staff@creativestereosb.com

Bang & Olufsen The River at Rancho Mirage 71-800 Highway 111, Suite B113 760.779.5664 bnoranchomirage@aol.com

Bang & Olufsen San Francisco Design Center 1 Henry Adams Street 415.626.7580 john@europeandesigns.net

WHAT IF INTEGRATED SYSTEMS COULD **TRANSFORM HEALTH** THE WAY THEY TRANSFORMED BUSINESS?

The same free flow of information and streamlined effectiveness—that's Kaiser Permanente's integrated system today. Our automated medical records system takes our total teamwork approach to a whole new level to help improve your employees' health through the sharing of best practices. And it enables better efficiency and control of administrative costs. It's technology, yes, but technology born of a vision to care for every aspect of your company's health. By engaging employees in new ways and by using online tools, we empower them to manage their own well-being. For you, that could mean fewer sick days along with lower costs, so your whole company can thrive. To find out what's different about us, call your authorized Kaiser Permanente broker or visit us at employers.kp.org



KAISER PERMANENTE®  **thrive**



2005 the PGA TOUR is on the drive to a billion dollars in charitable giving. Thanks to the efforts of our sponsors, fans and volunteers, the tournaments of the PGA TOUR, Champions Tour and Nationwide Tour give back to over 2,000 local charities across the country every year. While it's exciting to reach the billion-dollar milestone, we're even more excited for the people who've been helped along the way.

Drive to
\$1 BILLION



STATEMENT OF OWNERSHIP,
MANAGEMENT AND CIRCULATION
(Required by 39 U.S.C. 3685).

- Title of publication: FORBES.
- Publication No. 00156914.
- Date of Filing: September 30, 2005.
- Frequency of issue: Forbes is published biweekly, monthly in August, with an extra issue in April and October.
- Number of issues published annually: 26.
- Annual subscription price: \$59.95.
- Complete Mailing Address of Known Office of Publication: Forbes Inc., 60 Fifth Ave., New York, NY 10011-8865. County of New York City.
- Complete Mailing Address of Headquarters or General Business Office of Publisher: Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011-8865.
- Full Names and Complete Mailing Address of Publisher, Editor, and Managing Editor: Publisher: Richard Karlgaard, 60 Fifth Ave., New York, N.Y. 10011-8865. Editor: William Baldwin, 60 Fifth Avenue, New York, N.Y. 10011-8865. Managing Editor: Dennis Kneale, 60 Fifth Ave., New York, N.Y. 10011-8865.
- Owner: The Publication is owned by Forbes Inc., which is owned by: Forbes Family Holdings Inc. Stockholders are: Malcolm S. Forbes, Jr., 60 Fifth Ave., New York, N.Y. 10011-8865. Christopher Forbes, 60 Fifth Ave., New York, N.Y. 10011-8865. Robert L. Forbes, 60 Fifth Ave., New York, N.Y. 10011-8865. Timothy C. Forbes, 60 Fifth Ave., New York, N.Y. 10011-8865. Estate of Malcolm S. Forbes, 60 Fifth Ave., New York, N.Y. 10011-8865.
- Known bondholders, mortgagees, and other security holders owning or holding 1 percent or more of total amount of bonds, mortgages or other securities: None.
- Not applicable.
- Publication Title: FORBES.
- Issue date for circulation data below: October 17, 2005.
- Extent and nature of circulation:

	Average No. Copies Each Issue During Preceding 12 Months	No. Copies of Single Issue Published Nearest to Filing Date
A. Total Number of Copies (Net Press Run)	1,063,136	1,038,500
B. Paid and/or Requested Circulation		
(1) Paid/Requested Outside-County Mail Subscriptions Stated on Form 3541 (Include advertiser's proof and exchange copies)	895,640	893,540
(2) Paid In-County Subscriptions Stated on Form 3541. (Include advertiser's proof and exchange copies)	0	0
(3) Sales Through Dealers and Carriers, Street Vendors, Counter Sales and Other Non-USPS Paid Distribution	53,896	34,639
(4) Other Classes Mailed Through the USPS	0	0
C. Total Paid and/or Requested Circulation (Sum of 15B (1), (2), (3) and (4))	949,536	928,179
D. Free Distribution by Mail (Samples, complimentary, and other free copies)		
(1) Outside-County as Stated on Form 3541	5,980	5,527
(2) In-County as Stated on Form 3541	0	0
(3) Other Classes Mailed Through the USPS	0	0
E. Free Distribution Outside the Mail (Carriers or Other Means)	13,311	12,955
F. Total Free Distribution (Sum of 15D and 15E)	19,291	18,482
G. Total Distribution (Sum of 15C and 15F)	968,827	946,661
H. Copies Not Distributed	94,309	91,839
I. Total (Sum of 15G and 15H)	1,063,136	1,038,500
J. Percent Paid and/or Requested Circulation (15C/15G x 100)	98%	98.01%

- Publication of Statement of Ownership
 - ☒ Publication required. Will be printed in the November 14, 2005 issue of this publication.
 - ☐ Publication not required.
- Signature and Title of Editor, Publisher, Business Manager or Owner

Ed Conrad,

Director of Distribution/Postal Affairs

I certify that the statements made by me above are correct and complete

Stock Focus

Fighting the Flu

The stakes of an avian flu outbreak are enormous but so are the potential rewards for some hitherto-obscure drug companies | By Peter Kang

IN THE LAST TWO WEEKS BIRD FLU stocks have taken flight, resulting in parabolic gains for a handful of little-known biopharmaceutical companies. One long shot in the race against avian flu is BioCryst Pharmaceuticals, a company that designs novel enzyme blockers. Its shares have shot up 70% in less than three weeks. Behind this rise: a chance that BioCryst's small-molecule drug peramivir will be able to pick up the slack on a potential shortage of Tamiflu, the antiviral drug developed by Gilead Sciences and marketed by Roche. Tamiflu is the drug most widely stockpiled by governments globally, while BioCryst's drug has faltered since 2001, when developmental partner Johnson & Johnson called it quits.

Claude Bennett, BioCryst's president, chief operating officer and medical director, says that the company expects to ask the Food & Drug Administration sometime in November for permission to start human trials of peramivir. Bennett claims that a single injection of peramivir is equal to five days of twice-daily doses of Tamiflu. BioCryst could use some good news. The Nasdaq-listed company has been public since 1994, yet the most revenue it ever generated was \$7.7 million, in 2001. In 2004 its revenues from items like license

fees amounted to only \$400,000.

Another speculative possibility is China's Sinovac Biotech, which booked \$6.5 million in revenue last year, with a net loss of \$4.8 million. The Amex-traded Beijing company signed an agreement last December with the Chinese Center for Disease Control & Prevention to accelerate development of an avian flu vaccine. Its shares have doubled since January.

Other stocks receiving investor attention include Novavax and AVI BioPharma. In late August Novavax reported that preclinical data for its treatment of another avian flu strain, known as H9N2, looked promising. Novavax has one FDA-approved drug, a treatment for menopause. Its share traded for less than a dollar as recently as Aug. 24. They have more than tripled since. Meanwhile, revenues slipped from \$15 million in 2002 to \$8.3 million last year.

AVI BioPharma is hoping its gene technology, NeuGene, will help fight several viruses, including hepatitis C, West Nile Ebola and influenza. Expected sometime in November: an update on AVI's preclinical avian flu research. Since its inception in 1980 through the end of last year the company has generated only \$5.1 million in revenue, from licenses and grants, and lost a total of \$156 million.

Flu Shot Long Shots

One of these companies may have the science to beat avian flu should a pandemic occur, but they are all outside bets.

COMPANY NAME	PRICE			LATEST-12-MO SALES (\$MIL)	MKT VAL (\$MIL)
	RECENT	5-YR HIGH	5-YR LOW		
AVI BIOPHARMA	\$3.22	\$13.50	\$1.55	\$0.4	\$142
BIOCRYST PHARMACEUTICALS	15.49	18.42	0.60	0.4	405
NOVAVAX	3.30	14.77	0.70	4.2	131
SINOVAC BIOTECH	6.98	7.92	0.75	6.5	250

Prices as of Oct. 19.

Sources: FT Interactive Data, Worldscope and Reuters Fundamentals via FactSet Research Systems.

Bullet proof your nest egg!

Up in 12+% yields with Energy Trusts!



Forbes has an advisory service for every investor seeking refuge from stock market volatility.

Capital preservation and maximum income are primary investment goals. You may already have discovered the market-defying advantages of... investment grade and high-yield bonds

Tax advantaged Preferreds and Dividend stocks

Canadian Energy Trusts and convertibles

Current yields of 12% and more

For many savvy investors these low-risk income securities are the anchor that protects the conservative portion of a portfolio.

But if you are an equity investor who's feeling battered by the recent market pull, and you are wondering "what now?"... perhaps it's time you consider putting at least part of your portfolio into income securities.

Are you going to hang in and hope the market recovers? Or are you considering to trade "hope" for the certainty that your capital is...

Safe from the volatility of the stock market

Earning up to 100% greater income than it would

from stocks

Positioned to grow by 14%...18%...even 20% or more a year

Now, whether you know a preferred from a convertible, *Forbes* has

put you up with the leading authority on bonds, convertibles and

preferred stocks to offer you the expert guidance you need to take full

advantage of these specialized investments.

NASDAQ plummeted 40% in 2000, Richard

Lehmann's portfolio of high-yield bonds actually

went up in value while it paid 13.25% cash income!

In 2003, Lehmann's portfolio had a total return of

13.25%! In 2004, he beat stocks again.

In turbulent times like these, income securities offer superior returns and most importantly peace of mind. You'll find all the information you need to get started when you subscribe to *Forbes/Lehmann Income Securities Investor*.

If you're interested in asset protection and reliable income, there's no better expert than Richard Lehmann.

Richard Lehmann has been a recognized authority on income securities for more than 30 years. He is the Fixed Income columnist for *Forbes Magazine* and has written for *The Financier* and the *Principal Finance Journal*. He is frequently quoted in the *Wall Street Journal*, *Barrons*, *Money* and the *New York Times*.

3 FREE Bonus Reports When You Subscribe:

- *"Insiders Guide to Buying High Yielding Preferreds and Trusts"*
- *"The New Market in PET Bonds That Trade Like Stocks"*
- *"Richard Lehmann's Income Securities Owners Manual"*

Income Securities Investor is a joint effort from *Forbes* and Richard Lehmann that enables you to match income securities to your risk/reward goals. Compared to the volatile stock market, all of our model portfolios are a safe harbor, even if you maximize your income by selecting high-yield bonds or preferreds of 8% and higher.

In each monthly issue you'll find 9 specific buy recommendations, plus holds, sells and follow up information you need to execute your own program. You also get Richard's "Pick of the Month." You'll find detailed reasons for every recommendation that you won't get from most brokers or bond funds.

The best and easiest way to decide if income securities make sense for you is to begin your subscription to get our 3 Free Reports. If not delighted, you can cancel and we will send a full refund for any issues you haven't yet received. Even if you cancel, you are welcome to keep the 3 Special Reports with our compliments. Right now we are offering Richard's profitable advice for just \$195 for 12 monthly issues delivered online, a savings of more than \$160 off the single issue cost. Act now, mail the coupon below or subscribe online at:

www.forbesnewsletters.com/lehmann

Forbes/Lehmann Income Securities Investor

☐ YES! Please start my annual subscription to *Forbes/Lehmann Income Securities Investor* and reserve a one year online subscription (12 monthly issues) in my name at the money saving rate of \$164 off the single copy cost. Upon receipt of payment, you'll also send me copies of the 3 bonus reports. If I am not delighted I can cancel at any time and receive a full refund for issues that have not been delivered.

☐ Check enclosed for \$195 payable to *Forbes/Lehmann Income Securities Investor*

☐ Charge my: ☐ Visa ☐ MasterCard ☐ AmEx. ☐ Diners Club

Card Number _____

Expiration date _____

Name _____

Email address (required) _____

Address _____

City _____ Zip _____

State _____ Telephone _____

MAIL TO: Subscription Director, Forbes Newsletters, 90 Fifth Avenue, 4th FL, New York, N.Y. 10011

FLISJ05

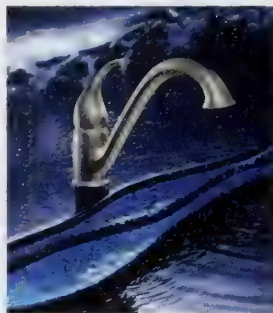
3 FREE REPORTS!

A Good Grab Bag



Conglomerates are not in Wall Street's charmed circle. And **FORTUNE BRANDS (79, FO)** is a classic conglomerate, selling everything including the kitchen sink (from its Moen kitchenware subsidiary). But a recent revamping has made Fortune a more tightly organized company, with fine growth—and an affordable stock price. A good value play, it trades at just 15 times trailing earnings and has retreated from its \$90-per-share high in midsummer.

Earlier this year Fortune spun off its Acco office products unit, which sells things like Swingline staplers and Day-Timer calendars. Then in July it bought a slew of alcohol brands, such as Courvoisier cognac and Clos du Bois wine from Britain's



Allied Domecq, for \$5 billion.

So now Fortune is divided into three segments: booze (in addition to the Al newcomers, storied brands like Jim Beam bourbon and Gilbey's gin), home hardware (MasterBrand cabinets, Therma-Tru doors) and golf (Titleist balls and clubs). Okay, there's scant synergy between faucets and storm doors, and none between doors and golf balls. But credit Fortune for its innovative flair. In partnership with Starbucks it has brought out a coffee liqueur.

With hard liquor sales on the rise worldwide and the U.S. housing market still strong, Piper Jaffray analyst Eric J. Larson expects earnings per share to continue to rise 13% through 2006. That's close to the pace EPS set for 2005's first half, to \$2.43 per share, or \$353 million on \$3.9 billion in revenue (up 8%).

—Mark Tatge



Kid Stuff

Working parents' child care woes also vex productivity-minded employers—and outfits like **BRIGHT HORIZONS FAMILY SOLUTIONS (39, BFAM)** have sprung up to help. Bright Horizons provides day care and educational programs to 62,000 children in 39 states for employers like Citigroup, Johnson & Johnson and the International Monetary Fund. Many centers are conveniently at or near workplaces. This past summer expansion-oriented Bright Horizons bought rival ChildrenFirst, whose clients include Target and Viacom.

The bulk of the competition is privately held, and Bright Horizons is pricey (price/earnings ratio: 34). But its growth rate justifies it. For 2005's first half, earnings rose 37% to \$18 million on \$308 million in sales, with a good third period expected after our press time.

—Daniel Kruger



Growth Fuel

Fast-growing China is power-starved and, since coal runs most electricity generation there, a smart move is to invest in a mainland coal company. So says Mandarin speaker David Riedel, head of Riedel Research Group. For U.S. investors there's a red-hot opportunity in the American Depositary Receipts of China's **YANZHOU COAL MINING (38, YZC)**, which trades at a mere 8 multiple.

While it is not China's biggest coal producer, this is the only one with ADRs. Yanzhou also owns its own rail line, so it avoids the shipping bottlenecks common in China. And it has two added virtues: no debt and \$630 million in cash. Partly state-owned, Yanzhou has logged an exemplary performance, with first-half earnings up 54% to \$232 million on revenue of \$747 million.

—Patricia Huang



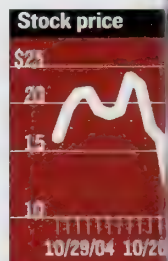
Bed Bug

Its high-end, body-conforming mattresses are made from material developed for NASA. Most earnings reports have gains to trumpet. Yet lately **TEMPUR-PEDIC INTERNATIONAL (10, TPX)**

is sagging. The stock is off 30%. After strong first half, earnings softened in third quarter. For the year Tempur-Pedic has lowered earnings guidance by 14% 94 cents to 96 cents per share.

The company blames everything from Hurricane Katrina to higher raw material costs to auto sales incentives, which supposedly divert consumers from its big ticket (\$3,000) mattresses. Bulls say the downdraft is temporary. But Joseph Albello, a CIBC World Markets analyst, says long-term threat exists: Rivals like Sealy and Serta are bringing out cheaper versions of Tempur-Pedic's signature product. We short the stock.

—D





**If you're looking for additional monthly income,
it helps to increase your choices.**

Nuveen Investments, we believe there's more than one ETF in the sea. Through continuous innovation and rigor, we strive to provide you with creative closed-end ETFs that work to help earn attractive monthly income. What's more, our blends of asset classes, including income-oriented stocks and bonds, offer the diversity in products that investors are, well, fishing for. As always, there are risks inherent in any investment, including the possible loss of principal. If long-term interest rates rise, the value of a fund's portfolio may decline. Closed-end exchange-traded funds frequently may trade at a discount or premium to their net asset value.


NUVEEN
Investments

Smarter ways to be conservative.

Investor should carefully consider the Fund's objective, risks, charges and expenses before investing. For a prospectus containing this and other information about Nuveen's funds, contact your advisor or Nuveen at 1-800-257-8787. Read the prospectus carefully before you invest or send money.



Expansion Enders

WHICH OF THE FOLLOWING, DO YOU THINK, WILL wreck the ongoing economic expansion? A) high energy costs; B) rising interest rates; C) hurricane aftermath; D) the bursting of the housing bubble. My answer is D. The other factors will add pain, but won't initiate the downturn.

Three-dollar gasoline and much higher home heating bills this winter seem ominous on the surface. Refineries were at full capacity before Hurricanes Katrina and Rita, thus the loss of output to shutdowns can't be made up. The refiner's margin between crude oil inputs and gasoline output leaped from 20 cents per gallon in early August to 63 cents in early October. That \$3 price is equivalent to the 1980 peak in real terms. What's more, the surplus of natural gas abroad can't get here because of a lack of U.S. liquefied natural gas terminals. Plus, the remedies available have been used up: The Strategic Petroleum Reserve already was tapped, refining environmental rules were relaxed to raise gasoline output, and petroleum products are being shipped in from abroad.

All that aside, the reason that energy probably isn't an Achilles' heel is that the economy's shifts over the past quarter-century have softened its impact. Our economy today is much more service-oriented, meaning there's a smaller manufacturing sector dependent on oil to run factories. Even with the recent price jumps, energy accounts for only two-thirds the share of consumer spending that it did in 1980. Real aftertax income per capita is up 61% since then, leaving consumers better able to shoulder higher energy prices.

The Federal Reserve, of course, is using the jump in energy prices as its latest rationale for interest-rate hikes. Like any good central bank the Fed fears a spread of inflation from energy price increases, as well as from big federal hurricane-recovery spending and larger deficits. Small wonder that at its Sept. 20 meeting, the first after the storms, the Fed resolved to keep tightening.

With rare exceptions, notably the Fed's 1994 increases, Fed rate-raising campaigns precipitate recessions. But they probably won't this time, since Fed actions lately aren't bothering borrowers.

Credit card rates already are at usury limits,

and people keep using their plastic. Other interest burdens have stayed low. Auto loan rates remain subdued by Detroit, which needs concessions to move the metal. Long-term mortgage rates aren't rising, and the Fed's effect on short rates is being offset by loose lending practices such as interest-only adjustable-rate mortgages and by home equity loans at 6% fixed for 20 years. Also, the 69% of households that own their abodes are either pulling out home equity to finance higher energy costs, or borrowing more and saving less because they know the property piggy bank is there.

Meanwhile, the impact of the hurricanes has been minimal. Recall that after Sept. 11, when Americans were worried about a Qaeda blowing up or poisoning them, they still rushed from their cellars to the auto showrooms when General Motors introduced zero-rate financing.

Hurricanes hardly happen in most of the country, hence con-

sumer confidence will take these storms in stride. The Katrina affected area accounts for 1% of U.S. retail sales. Disposable incomes per capita in Louisiana, Alabama and Mississippi are all below the national average. Sure, total payroll employment in September dipped 35,000, but should revive as post-hurricane reconstruction starts. Expected consumer sentiment to rebound and spending to continue; a hint

of this showed up in the September chain stores report.

The good news ends when the house price bubble breaks (see my Oct. 3 column). Then homeowners will join low-income renters in feeling higher energy costs. Once mortgage lenders suffer and tighten lending, borrowers will feel the Fed's full fury. Already buyers are evaporating in tony suburbs, and upscale home prices are melting in exuberant markets like New York's.

What to invest in? Safe Treasury bonds remain my 25-year favorite. Manufactured housing is one of the few winners from the hurricanes. The government is buying lots of units for refugees. This industry's winter of discontent, sired by mid-1990s liberal lending, seems to be over as mountains of repossession finally are absorbed. Full disclosure: I'm a director of one such firm, Palm Harbor Homes. Don't confuse these with conventional home builders, which should be sold or shorted.

Here's another candidate to sell or short: regional banks. Do this easily via the **Regional Bank HOLDERS Trust (I29, RKH)**, an exchange-traded basket of 19 such stocks. It's down 7% from its July high. These banks had benefited from a wide spread between what they pay for deposits and collect from loans. With flat long rates the Fed will no doubt invert the yield curve to meet its objectives. Bad news for spread lenders.

Forget energy costs, rate hikes and the storms. The economy's Achilles' heel is housing. Here's what to do.

Forbes
magazine

A. Gary Shilling is president of A. Gary Shilling & Co., economic consultant and investment advisers. Visit his home page at www.forbes.com/shilling.

"IT CAUSED DESTRUCTION TO EVERYTHING
IN ITS PATH. HOUSES, BUILDINGS.
SOME PEOPLE LOST EVERYTHING.

BUT WE WERE PREPARED FOR
AN EMERGENCY LIKE THAT. WE KNEW
HOW TO REACH OUR EMPLOYEES,
KNEW WHAT TO DO. WE HAD EMERGENCY
SUPPLIES ON HAND. AND AS A COMPANY,
WE MADE IT THROUGH HURRICANE CHARLEY
BECAUSE WE HAD A PLAN."

CHARLES G. BROWN, President & CEO,
Charlotte State Bank, Port Charlotte, FL



Whether it's a hurricane, terrorist attack or other disaster, every business needs an emergency plan. A plan can save your entire business, including company assets and most importantly, the lives of your employees – at little or no cost to your company. You can't control what happens. But you can be prepared. Visit www.ready.gov for practical steps you can take now to give your company a better chance of survival.





Curse of The Tight Spread

S EVEN MONTHS AGO **ANNALY MORTGAGE MANAGEMENT (12, NLY)** fetched \$19 a share, 150% of book value. Its dividend yield was 10%. Today, at \$12, the price is just 90% of book. The yield is all of 4.5%. Now unfolding is a bullish brief on the biggest of the mortgage real estate investment trusts. Imagine a thrift institution without walls; you have now imagined a mortgage REIT.

True confessions: I own the stock, have friends among its management and have consistently been better at saying "Buy it" than "Sell the dog short," even when a short sale was exactly what a farseeing doctor would have ordered.

Annaly exists to produce interest income. The raw materials of income include borrowed money, judgment—and luck. With the borrowings, management invests in mortgage-backed securities. Exercising its judgment, it decides how much to borrow, at what point on the yield curve to borrow (short, medium or long) and in what to invest. Mortgage-backed come in a variety of flavors: fixed-rate or floating, high- or lesser-quality. Annaly invests one-third in fixed-rate assets, two-thirds in floating-rate or adjustable-rate loans; it buys nothing that rates less than AAA. As for luck, a mortgage REIT needs lots of it. The shape of the yield curve, the level of interest rates and the speed at which homeowners refinance their mortgages are factors that management has no more control over than it does the weather.

The Mar. 14 installment of this column was devoted to the yield curve—the alignment of rates from the present into the distant future. At the time of publication the difference between the federal funds rate and the five-year Treasury note was 169 basis points (a basis point being one-one-hundredth of a percent). If that spread were to shrink or disappear, I said, "the Annaly dividend would certainly be cut, and the share price would probably fall." Better to have written "would certainly fall out of bed." Today the difference between the five-year yield and the funds rate is only 57 basis points.

So the cost of funding a mortgage portfolio has been rising. But the yield on a mortgage portfolio has been rising only a little. In other words Annaly's net interest margin has gone to seed. Compounding the trouble, homeowners have continued to refinance. And Annaly has continued

to bear the associated amortization expense.

What is amortization expense? Say that you pay 105 cent the dollar for a mortgage. Next, say that interest rates fall, that they fall enough to make it worth the homeowner's while to refinance. He does so. What happens to the mortgage bought at 105? It is called away at par, or 100 cents on the dollar. The nickel loss is yours to eat, or amortize. In the second quarter Annaly bore \$42.7 million, or 35 cents a share, in amortization expense. To see this in perspective, it paid 36 cents (only 13 cents in the third quarter) a share in dividends.

Annaly would consider itself lucky if the yield curve steepened, mortgage rates lifted and—in consequence—refinancing activity plunged. For what it's worth, I happen to believe these things are happening. But I can't know, and neither can Annaly.

Happily for the prospective Annaly shareholder, Mr. Ma has washed his hands of stock, and of others like it. Annaly, the lowest-cost provider among mortgage REITs, was quoted at right around book from its inception until 2001. In the Internet era investors saw a point in seeking out income and the Annaly business model was new and untested. It came the bear stock market and income found its group. Annaly commanded a premium to book value from early 2001 until just a couple weeks ago.

Annaly, now below book, has had much of the disappointment wrung out of it. But none of its purpose—that's to enhance book value long term.

A company so dependent on exogenous factors—luck a layman might say—deserved no premium to book value, the bears contended. Whatever the merit of that argument, they have managed to carry it. But few things are luckier than a low valuation.

At book value or below, Annaly has had most of the disappointment wrung out of it. And management is building a financial-based money management subsidiary that is starting to make important new contributions to the bottom line (six cent a share in the second quarter versus a penny a share in the year earlier period).

To make money, a mortgage REIT must take risks: credit risk or interest rate risk or balance sheet risk (leverage, that is)—or a little bit of all three. Annaly, forswearing credit risk and leveraged at a relatively modest 11.6-to-1, has chosen to take its chances with interest rate risk. "We have focused our investment activities on the goal of preserving and improving book value," advises Chief Executive Michael A.J. Farrell. These days there are worse ambitions.



James Grant is the editor of *Grant's Interest Rate Observer*. Visit his home page at www.forbes.com/grant.



I N T R O D U C I N G . . .

ForbesAutos.com

ForbesAutos.com is a new website devoted exclusively to luxury vehicles.

Know what you expect from a luxury vehicle. Superior handling. Engineering excellence.

Incomparable comfort. Appointments that fit your personal style. Find the reviews,

decision guides, photo galleries and dealer pricing you need to research

and buy your next luxury vehicle at ForbesAutos.com.

Visit ForbesAutos.com
today for a chance to



win a 400-hp Cadillac CTS-V,
valued at over \$50,000.

No Purchase Necessary. Game ends December 22, 2005. Must be 18 years of age or older and legal resident of the U.S. to enter.
See Official Rules for details. Void where prohibited. MSRP of Grand Prize vehicle: \$49,995.

You've worked hard to earn that special luxury vehicle
that suits your passion for performance and style. **Find it at...**

Forbes
AUTOS
com



China's War Chest

IN OCTOBER THOMAS SCHELLING SHARED THE NOBEL prize in economics for his discoveries about game theory, which is the analysis of strategy in contexts like poker, nuclear war and business competition. Unremarked upon by the Royal Swedish Academy of Sciences were Schelling's simple truths of economics. These boil down to tricky points in accounting, something not likely to thrill most journalists or Swedish economists.

One of Schelling's truths involves the balance of payments. It balances. For example, the U.S. imports more goods and services than it exports. Double-entry bookkeeping ensures that this current account deficit is offset by a capital account surplus. The surplus means that this country exports more assets (like Treasury securities, shares of Amazon or deeds to farmland) than it imports. The simple truth is that the current account and the capital account sum to zero in countries with floating exchange rates.

While economists can declare before God that the U.S. current account and capital account (adjusted for statistical discrepancies) *must* sum to zero, it is another matter to make pronouncements about the direction of causation between these two accounts. It can go either way. During the first half of 2005 the U.S. current account deficit was a breathtaking 6.4% of GDP. The dollar and bond bears (and most of the financial press) repeatedly cited the deficit number to support their gloomy prognostications. For them, changes in the capital account respond passively to changes in the current account.

The bears were proved wrong, suggesting that the direction of causation was running from the capital account to the current account. This explains why we could run a huge trade deficit without any collapse in the foreign exchange value of the dollar. We could do this because foreigners were selling their currencies to buy American assets, supplying Americans with foreign exchange to buy French wine and Japanese cameras.

Most journalists, and almost all politicians, line up with the dollar bears in fixating on the trade deficit rather than on the capital surplus. And they blame that deficit on China. According to

the China-bashers, the U.S. is a victim of Chinese mercantilism. As they tell it, China has kept its currency, the yuan, undervalued to promote export-led growth. To "prove" this assertion they point to China's rapid buildup of foreign exchange reserves.

But it's absurd to claim that China is causing a global imbalance of trade. The U.S. current account deficit represents 1.1% of global GDP. However, the current account surplus for all countries in emerging Asia accounts for only 0.5% of global GDP. Oil-exporting countries also account for a surplus of 0.1% of global GDP. And Japan's surplus is almost as large, 0.4% of global GDP. To balance the imbalances, if that's the game, would require much more than a revaluation of the Chinese yuan.

But what about China's growing coffer of foreign reserves? At the end of September they were \$769 billion, with \$58 billion added in the third quarter. What will be surprising to the average China politician is that in 2004, the reserve accumulation was

Capitol Hill's very meddling in currency issues is what's driving the rapid buildup of China's huge cache in foreign exchange.

due only in part to trade. The bigger contribution came from capital transactions: Investments in other countries poured money into China to build factories, accounting for 29% of the foreign reserve growth.

Currency speculators accounted for 37%. These are people betting that the yuan will be revalued upward to please the folks in Washington, D.C. The speculators send dollars and euros and yen off to China, getting yuan chits in return and contributing to the pileup of dollar, euro and yen

assets in Beijing. Think of the delicious irony here. The very meddling in currency matters from Capitol Hill is driving an increase in foreign exchange holdings by China.

There's no denying that \$769 billion is a big number. But still—and here's another surprise for my friendly congressman—it's not big enough. China must have reserves to accommodate routine foreign transactions. Taking into account the size of the Chinese economy, its money supply and its imports, I estimate these to be \$455 billion. In addition, it needs reserves for exigencies beyond normal transactions. Now that the U.S. is demanding a wholesale opening of China's financial sector, China will have to fill in the sinkhole of bad loans that threaten to undermine its banking system. This task, now under way on a timid scale, is ultimately going to cost perhaps \$650 billion.

To complete a wholesale opening of the financial sector, China will also have to make the yuan convertible. This will require at least another \$200 billion. Add it all up, and you have needs for foreign reserves in the neighborhood of \$1.3 trillion. It's only halfway there. Stop complaining.

Forbes

Steve H. Hanke is a professor of applied economics at The Johns Hopkins University in Baltimore and senior fellow at the Cato Institute in Washington, D.C. Visit his home page at www.forbes.com/hanke.



Their lives went from
uncertain to promising.

Isabella and Elias

For most children, success in school is determined before they even arrive – before age six. Their parents are giving Isabella and Elias an early start to help them learn essential math and reading skills they can use in the classroom.

Helping parents raise healthy, successful children is a mission Oakland Family Services and other United Way Success by Six® partner organizations can only accomplish with your investments. Will you help the children in your community?

Was it you who made their future brighter?

When you invest in United Way, you invest in the people in your community. You help kids get the care they need to be healthy and successful. You help make families stronger and happier. You help young people shine. And that makes Wayne, Oakland and Macomb counties better places to work, play and live.

“Please join me in giving at work or on United Way’s website, uwsem.org. And help keep the flame alive.”

***Dr. Dieter Zetsche,
General Chair, 2005 Torch Drive***

invest in
what matters.®



United Way
for Southeastern Michigan

To volunteer visit uwsem.org. To get help call 1-800-552-1183.

Life

THE ADVENTURER

EXHILARATED BY A RARE BLUE SKY LAST MAY IN Greenland, five executives and I managed an early-morning start from base camp, hunting for unscaled mountains. After a few hours of cross-country skiing, we arrived at the foot of our peak du jour. Time to climb.

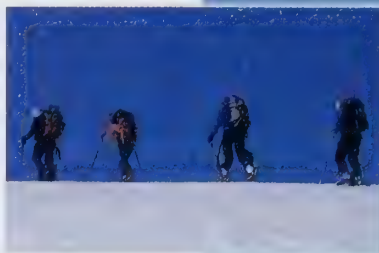
Suddenly Robert Anderson, our guide, shouted “Polar bear!”—two words you don’t want to hear unless you’re at the zoo. The males can outrun an Olympic sprinter. Once a hungry one has locked onto your scent, all you can do is pray.

There was dead quiet. None of us moved.

My first thought was, “Well, we have a gun—what’s the big deal?” But a frantic check revealed that our .30-06 rifle had been left behind at camp. Anderson, tracking the bear, now a quarter mile behind us, suggested we close ranks and continue skiing, not betraying any fear. Then, just as quickly as the animal had appeared, it scurried up a ridge and out of sight. From that day on we carried the rifle everywhere we went. Appropriately enough, we named the day’s mountain Polar Bear Peak. That’s the beauty of climbing a virgin mountain: When you’re first up, you get to name it (*see box, p. 226*).

We had arrived in Greenland five days earlier, flying Icelandair from New York to Reykjavík, then hopping an Air Iceland Fokker 50 to the northeastern part of the island. Our goal: to knock off as many unclimbed peaks as we could in ten days. We had selected Greenland not just for its proximity to the U.S. but for its unexplored ranges, relatively mild late-spring weather and 24 hours of daylight. From Constable Point a helicopter took us inland to the glacier.

Our group was experienced. Intesar Haider, a credit derivatives trader at Citigroup, had ascended Mount Vinson, Antarctica’s highest peak; Christopher Heintz, manager of hedge fund Perennial Partners, had



Three a.m. atop Greenland’s Mount Forbes (above, with tartan flag): We had first skied cross-country (top) from our base camp (middle) to the foot of the then-unnamed peak.



Mount Forbes

There are precious few places you can plant your foot
where no human has gone before. We scaled a virgin peak
and christened it Mount Forbes | By James M. Clash



PERSON (3, LEFT): JAMES M. CLASH FOR FORBES

ascended the highest peaks in South America and Europe (Aconcagua and Elbrus, respectively); and Yoo Jin Kim, a buy-outs specialist at Thomas H. Lee Capital, had climbed both Elbrus and Africa's highest peak, Kilimanjaro. Anderson had conquered Everest.

The idea was to start with easy climbs and then take on progressively more difficult ascents, to sharpen our mountaineering skills. After pitching tents and melting snow for water, we knocked off a small nub north of camp. This allowed us to familiarize ourselves with equipment and gauge one another's physical conditioning.

Next day we ratcheted things up, skiing into the symmetrical snow bowl of a larger mountain. From a distance the chute didn't look steep, but up close it was frightening. This was the first time I'd ever had to use skins (for uphill traction) on my skis, and skinning straight up a 30-degree slope is not easy. You must trust your skins will not lose grip. If they do, you'll careen downhill, your pack and climbing gear tumbling around you.

My skins held, and at the top of the bowl a gentle ridge led to the 3,900-foot summit. The group graciously let me christen it Sophie Peak, in honor of a friend's 10-year-old daughter.

After a day's rest we decided to try some rock climbing. Greenland may be known best for its ice cap, but great rock faces abound as well. We already had much of the required equipment, since mountaineering gear can do double duty on rocks and snow. What we didn't have were climbing shoes. Our Iowa boots, while great on snow, were cumbersome on cliffs with slants approaching 90 degrees.

Little compromised by her boots, our lone female team member, Laura Hughey, a sales associate at Merck, scaled a 100-foot virgin face, with Anderson belaying by a rope attached to her harness. Hughey's balletic movements made the route look easy, but the rest of us knew better. As I reached for a handhold, I slipped. "Falling!" I yelled. Anderson tightened the belay as my body described a pendulum across the rock face. The fall may have looked dangerous, but all that was really at risk was my pride. Upon regaining balance, I climbed more conservatively.

The expedition's final goal proved to be a gem. During the day the mountain's snowy south face, our route of choice, was bathed in direct sunlight, which brought on a risk of avalanches. We decided on a "night" ascent, when the sun would be low in the northern sky.

We began at 7 p.m., skiing past Sophie Peak into a crevassed area of the glacier, which required that we be roped together in case anyone fell. By 10:30 p.m. we had arrived at the base of the formidable south face, removed our skis and strapped on crampons (spikes that attach to boots for traction). Anderson kicked in steps, and we followed.

A third of the way up, the pitch steepened, approaching 65 degrees. I knew that this was not the place to slip. For the next several hours life was distilled into a tiring routine of step, breath, step, breath, ice-axe placement, breath ...

Near the summit we saw that the top was a 50-foot rock spire. Was it scalable? Anderson cautiously moved up and set a rope. One by one, we rock climbed in our clumsy boots until all six of

Your Name in Dirt

Plutocrats of the past century enjoyed immortality by underwriting expeditions, then making sure that explorers named discoveries after them. Publishers, in particular, played this game, with the result that today we have Hears Island, Mount Pulitzer, Sulzberger Ice Shelf and Barnum Peak (not P.T. but J.D., publisher of the *Syracuse Post Standard*).

So why not you? If it's peaks you're after, there are thousands waiting to be climbed (and named) in the polar regions and in central Asia. "There are several spectacular



ones within 50 miles of Everest," says guide Robert Anderson, an Everest summiteer and creative director at Modern Media, an Internet advertising agency.

If you're first to climb it, generally you get to name it, though different parts of the world observe different

naming conventions. In Antarctica the U.S. Geological Survey prefers peaks be named for a well-known person or family. There's red tape, cautions Miklos Pinther, former chief cartographer for the United Nations. In Greenland you can pretty much name a peak anything you want.

When you get to the top of your prospective namesake, make sure there is no man-made cairn (rock pile) or other evidence of a prior visit. Such evidence needn't preclude your naming the peak, it just means that your chances of making the name stick are not as good should your claim be contested. The more hoopla you can make about your mountain, the better, since public usage denotes acceptance and lends legitimacy. The ultimate mark of legitimacy is to have the name show up in an atlas. —J.M.

us stood on top. It was 3 a.m., and the rainbow-color, low-angle light revealed dozens of beautiful peaks in the clouds below us. The North Atlantic, clustered with icebergs, served as backdrop.

Surely this was the Matterhorn of the range, worthy of the name Mount Forbes. So from now on the 4,476-foot peak will be known as such. For a flag, we flew the Forbes tartan.

Much of the descent, because of its steep grade, had to be climbed face-in to the mountain. Then we skied 3 hours back to camp. When we returned at 11 a.m., 16 hours after our departure, it was a quick drink, then a plunge into our tents. Never was sleep so easy at high noon.

For other escapades, see www.forbes.com/adventurer.

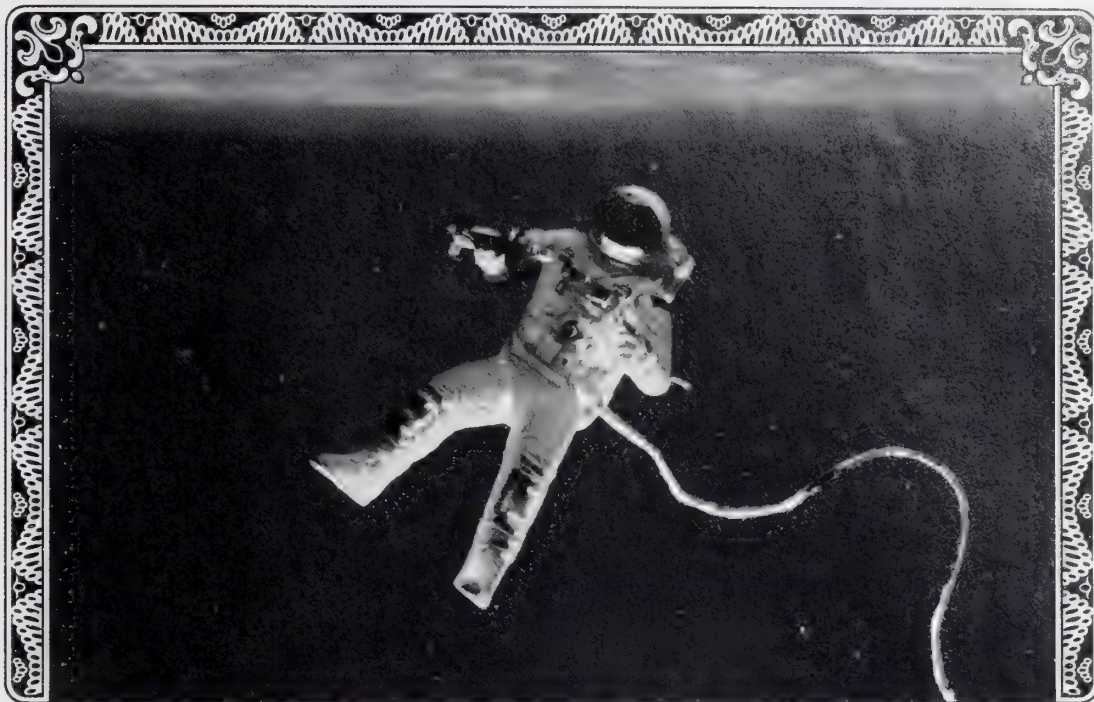
Essentials

Optimal season: April to May

Outfitter: Tangent Expeditions (www.climbgreenland.com)

Cost: Starts at \$5,000 per person (not including airfare to Reykjavik, Iceland)

Prerequisites: Excellent physical condition, moderate snow climbing and cross-country skiing skills



HOW TO
LOSE WEIGHT
in
ONE DAY

Shed those unwanted g-forces when you embark on a Zero Gravity Flight from Space Adventures. You'll get official astronaut training and float in a zero gravity aircraft as you experience weightlessness firsthand. Zero gravity. Another way the Membership Rewards® program from American Express rises above the rest. TO APPLY, CALL 1.800.THE CARD OR JUST VISIT 800THECARD.COM TO LEARN MORE.



A WORLD OF SERVICE

The Wrongest Meal

Tie on your bib and tear into a nice big juicy hunk of whale meat | By Andrew Bender

WHEN IT COMES TO FOOD, ONE parental injunction has always stayed with me: "You don't have to like it; you just have to try it." I've tried reindeer meat in Norway and dog meat in Korea. The dog, stewed, was good—like brisket. But each mouthful brought back memories of favorite pets. Given the chance to try whale in Tokyo, I said okay, at the same time experiencing all the familiar feelings that go along with eating a forbidden thing: guilt, a little giddiness, a pinch of dread.

According to the Japan Whaling Association, whale meat accounted for 48% of Japanese meat consumption in the 1960s (it was included in school lunches until 1985). Its popularity has declined since then; commercial whaling was banned in the mid-1980s, but a loophole for meat taken from whales killed for "scientific purposes" provides a supply for some 120 whale-meat restaurants in Tokyo and Osaka—most of them small, family-run affairs.

You might expect a restaurant serving the world's least politically correct meal to be hidden away at the end of a dark alley. Kujira-ya is anything but. It's set right in the middle of Tokyo's bright and fashionable Shibuya district, which thumps, booms and grinds with life, its young people strutting about in some of Earth's coolest fashions.

Inside the restaurant the decor is surprisingly attractive, the walls and ceilings covered in straw mats and rattan. Seating is *hori-kotatsu*: diners on floor cushions, their legs tucked into a well beneath the table.

I invited several friends, but only my buddy Dave was brave—

or perverse—enough to come along. Though Dave lives in Tokyo and though whale meat is available at a nearby supermarket, he never tried it.

Around us were Japanese diners, young and old, male and female, in business suits and casual wear. The people next to us fussed over Kujira's signature *harihari-nabe*, a roiling pot of whale meat boiled with vegetables and tofu.

"All righty, then," we said to one another, with false bravado. We placed our order and downed the first of what would be many bottles of sake. Kujira-ya serves an especially tasty one called *Suigei* ("drunken whale"). Pleasantly anesthetized, we examined the first of our dishes to arrive—whale sashimi. Served cold, it was the color of a glistening black eye. We stared at it a long time, in silence.

I poured Dave more sake.

He looked at me.

I gave him the thumbs-up.

He went for it.

"Oh, that's good!" said Dave, surprised. He was right, it was.

The dish came with the traditional soy sauce but without the traditional wasabi. Instead,

the accompanying spice was grated fresh ginger.

Next, whale-meat *kara-age* (batter-fried bits). It was my turn now, so I popped a morsel in my mouth and chewed thoughtfully, figuring as I did so that I was not

permanently

disqualified

from owning

Greenpeace coffee

cup. "This,

too, is good," I pronounced.

Cooked whale meat, we discovered,

had the consistency of

tuna tartare and a slight

gamey flavor.

Katsu is a Japanese staple, a breaded, deep-fried cutlet, though usually made of pork and not the Meat-That-Dare-Not-Speak-Its-Name. Our whale cutlet came layered inside with processed cheese, for extra gooey goodness, accompanied by a savory dipping sauce and hot mustard.

A platter of mixed "dainties" (the evening's biggest misnomer) followed: Thin strips of smoked whale meat tasted as if the whale had been eating lox. Whale tongue had a rank, organically meaty flavor. Raw whale-meat bacon (a.k.a. blubber) was white and hard to swallow and tasted like pork fat injected with cod-liver oil. For the next dish, whale *yaki-niku* (Korean barbecue-style), the staff first tied bibs around our necks and seasoned the tabletop grill with lard. We piled on carrots, white and green onions and whale meat. Delicious! Even without the sesame soy sauce.





Instant Advertiser Information To receive *free* information from Forbes advertisers visit their web sites or call the listed phone numbers

Forbes Magazine November 14, 2005

s
ta Consultancy Services
/tcs.com
nsas: *The Natural Choice for
Business and Tourism*
ltel
y.alltel.com
rkansas Blue Cross and Blue Shield
0-605-8301
y.arkansasbluecross.com
rkansas Children's Hospital
y.archchildrens.org
rkansas Department of
omic Development
0-Arkansas
y.1800ARKANSAS.com
rkansas Department of Parks
ourism
y.arkansas.com
assault Falcon Jet
0-526-7071
y.falconjet.com
lectric Cooperatives of Arkansas
y.ecark.org
ittle Rock National Airport
y.lrn-airport.com
orthwest Arkansas Regional
ort
y.flyna.com
aytheon Aircraft Company
y.raytheonaircraft.com
yson Foods, Inc.
0-643-3410
y.tyson.com
al-Mart
y.walmart.com

omotive
adillac Motor Division
y.cadillac.com
guar
y.jaguar.com/us
Mazda
y.mazda.com
oyota
y.toyota.com/usa

tion
light Options
y.flightoptions.com

Business Classified

☞ Access China Tours
1-800-788-1399
www.accesschinatours.com
☞ Andrew J. Schatkin
1-516-932-8120
☞ Capital Asset Management
1-800-710-0002
☞ Capital Solutions
1-800-499-6179
www.4capitalsolutions.com
☞ Capstone Business Credit, LLC
1-212-755-3636
www.capstonetrade.com
☞ E-Chair USA
1-618-407-3575
www.e-chair.com
☞ Focus Forecasting/BTSmith &
Associates
1-800-586-2322
☞ Gallery Art
1-888-932-6166
www.gallart.com
☞ Gecko Software
1-800-862-7193
www.personalinvestorshr.com
☞ Holiday Timeshares Resales
1-800-704-0307
www.holidaygroup.com
☞ John Christian Designers
1-888-646-6466
www.ringbox.com
☞ Leasing Institute of America
1-800-429-3335
www.leasinginstitute.org
☞ National Watch & Diamond
Exchange
1-215-627-5626
www.nationalwatch.com
☞ Planet Office Furniture.com
www.planetofficefurniture.com
☞ Prestige Properties, Jerry Cangiano
1-239-438-2437
☞ Publisher's Guild
1-800-369-1646
☞ Rosetta Stone
1-888-232-8823
www.rosettastone.com/fbs035s
☞ Sayersbrook Bison Ranch
1-888-854-4449
www.sayersbrook.com

☞ Steven Sears CPA/Attorney
1-949-262-1100
www.searsatty.com
☞ The Scribes Ink
1-860-796-2955
☞ Valef Yachts
1-800-223-3845
www.VALEFYACHTS.com
☞ Venta Air-Washer, LLC
www.venta-washer.com
☞ Worldwide Business Consultants
1-800-733-2191
www.corbettandkish.com

Business Services

☞ Convergys
www.convergys.com

Computer/Technology

☞ Sybase
www.sybase.com
☞ Xerox OPB
1-877-362-6567
www.xerox.com/office

Corporate Security: Protecting Critical Business Assets

☞ Internet Security Systems
www.iss.net
☞ McAfee, Inc.
www.mcafee.com
☞ Symantec
www.symantec.com

Financial Services

☞ E*TRADE FINANCIAL
1-800-731-5220
www.etrade.com

Insider's Guide to Business Travel

☞ British Airways
www.ba.com/clubworld
☞ Hertz
www.hertz.com

Networking

☞ Cisco
www.cisco.com

Travel

☞ British Airways
1-800-AIRWAYS
www.britishairways.com

Learn These Digital Marketing Secrets and ...
Master the Mystery!

AD: TECH 05 SHANGHAI

Asia's Leading Digital Marketing Event

Register now and enjoy

30% discount ONLY for Forbes readers.

Promotional Code: EVPG3Q

Official Airline



Platinum Sponsor

Forbes

Keynote Sponsor

msn

YAHOO!

Keynote Panel Sponsor

msn

Business Decision Track Sponsor



Branding and Marketing Track Sponsor



Advertising Marketing Track Sponsor



Accoona



Knows.com



smarter



zunchi

For more information, please contact Ms. Iris Li at 852-2865 1118 or iris.li@infoexws.com

For more, log on to www.ad-techshanghai.com



Event Secretariat Infoex-World Services Ltd.

202 Tesbury Center, 28 Queens Road East, Hong Kong Tel. 852-2865 1118 Fax. 852-2865 1129

AD:TECH™ is the registered Trademark of DMG World Media.

You know that question
that goes through your mind
when you take your

generic drug?

Here's the answer.



FDA ensures that your generic drug is safe and effective. All generic drugs are put through a rigorous, multi-step approval process. From quality and performance to manufacturing and labeling, everything must meet FDA's high standards. We make it tough to become a generic drug in America so it's easy for you to rest assured. Call 1-888-INFO-FDA or visit our website at www.fda.gov/cder/ to learn more.

Generic Drugs: Safe. Effective. FDA Approved.



U.S. Food and Drug Administration

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Life

By the time our own pot of *harihar nabe* finally arrived, all we could do was play with the needle-thin (*hari mea* "needle") stalks of mizuna greens and take a bite or two of whale leftovers. Mostly I chatted with the guys next to us. One had grown up eating whale; the other was trying it for the first time. Both loved the meal and only wished they had brought along a bottle of Opus One. Their comment nicely summed things up: Whale itself isn't all that interesting. It cries out for great wine, a pass through the deep fryer or a slathering of heavy and/or piquant sauces. Once was enough. The world's biggest mammal can breathe easily, at least where this diner is concerned.

Thar She Glow

Need a refresher on why whaling is controversial? Go to the Nantucket Historical Association's Whaling Museum, which in June reopened after years of improvements. Nantucket Island, off Massachusetts, was the world's whaling capital in the late 18th and early 19th centuries.

It wasn't whale-meat stew that whalers were after but oil extracted from the heads of sperm whales—one of the cleanest-burning fuels the world has ever known. Being smoke-free and slow to freeze, it was ideal for both indoor and outdoor lamps; it also was refined into lubricants for machines.

Museum curator Benjamin Simons says 19th-century whaling was "a pure profit-driven business, where quantity and speed mattered most and there was absolutely no notion of the whale as something worthy of compassion." Whalers exploited the animals' social nature, keeping baby whales alive as bait to draw their worried mothers. A whaler's big thrill was a "Nantucket sleigh ride": being dragged at 25 knots—sometimes for hours—behind a harpooned animal struggling to escape. The crew's downtime was spent at hobbies including scrimshaw, the art of carving whale teeth into decorative knickknacks.

—A.

Nantucket Historical Association Whaling Museum; Nantucket, Mass.
Admission: adults \$15, children \$8 (\$18/\$9 with other Nantucket Historical Society sites)

SDA Bocconi

SDA Bocconi MBA

You add value to your future.
We add a future to your value.



Bocconi
School of Management

Join us at the next MBA Fairs in Delhi, Hyderabad, Bangalore, Mumbai, Dubai, Cairo. Find out dates and venues at www.sdbocconi.it/mba

Business education at the University of Oxford

Oxford in Business

MBA

International programme
of three years (two in
Oxford, one in business
school)

MSc

A full time one year
programme (two in
Oxford, one in business
school)

EMBA

A one year programme
designed for senior
executives

www.sbs.oxford.edu

Most of all, it's about your future.

Below are some of our programmes:

1	London	2014/15
2	Mumbai	2015/16
3	London	2016/17
4	London	2017/18
5	London	2018/19
6	London	2019/20
7	London	2020/21
8	London	2021/22
9	London	2022/23
10	London	2023/24
11	London	2024/25
12	London	2025/26
13	London	2026/27
14	London	2027/28
15	London	2028/29
16	London	2029/30
17	London	2030/31
18	London	2031/32
19	London	2032/33
20	London	2033/34
21	London	2034/35
22	London	2035/36
23	London	2036/37
24	London	2037/38
25	London	2038/39
26	London	2039/40
27	London	2040/41
28	London	2041/42
29	London	2042/43
30	London	2043/44
31	London	2044/45
32	London	2045/46
33	London	2046/47
34	London	2047/48
35	London	2048/49
36	London	2049/50
37	London	2050/51
38	London	2051/52
39	London	2052/53
40	London	2053/54
41	London	2054/55
42	London	2055/56
43	London	2056/57
44	London	2057/58
45	London	2058/59
46	London	2059/60
47	London	2060/61
48	London	2061/62
49	London	2062/63
50	London	2063/64
51	London	2064/65
52	London	2065/66
53	London	2066/67
54	London	2067/68
55	London	2068/69
56	London	2069/70
57	London	2070/71
58	London	2071/72
59	London	2072/73
60	London	2073/74
61	London	2074/75
62	London	2075/76
63	London	2076/77
64	London	2077/78
65	London	2078/79
66	London	2079/80
67	London	2080/81
68	London	2081/82
69	London	2082/83
70	London	2083/84
71	London	2084/85
72	London	2085/86
73	London	2086/87
74	London	2087/88
75	London	2088/89
76	London	2089/90
77	London	2090/91
78	London	2091/92
79	London	2092/93
80	London	2093/94
81	London	2094/95
82	London	2095/96
83	London	2096/97
84	London	2097/98
85	London	2098/99
86	London	2099/00
87	London	2100/01
88	London	2101/02
89	London	2102/03
90	London	2103/04
91	London	2104/05
92	London	2105/06
93	London	2106/07
94	London	2107/08
95	London	2108/09
96	London	2109/10
97	London	2110/11
98	London	2111/12
99	London	2112/13
100	London	2113/14
101	London	2114/15
102	London	2115/16
103	London	2116/17
104	London	2117/18
105	London	2118/19
106	London	2119/20
107	London	2120/21
108	London	2121/22
109	London	2122/23
110	London	2123/24
111	London	2124/25
112	London	2125/26
113	London	2126/27
114	London	2127/28
115	London	2128/29
116	London	2129/30
117	London	2130/31
118	London	2131/32
119	London	2132/33
120	London	2133/34
121	London	2134/35
122	London	2135/36
123	London	2136/37
124	London	2137/38
125	London	2138/39
126	London	2139/40
127	London	2140/41
128	London	2141/42
129	London	2142/43
130	London	2143/44
131	London	2144/45
132	London	2145/46
133	London	2146/47
134	London	2147/48
135	London	2148/49
136	London	2149/50
137	London	2150/51
138	London	2151/52
139	London	2152/53
140	London	2153/54
141	London	2154/55
142	London	2155/56
143	London	2156/57
144	London	2157/58
145	London	2158/59
146	London	2159/60
147	London	2160/61
148	London	2161/62
149	London	2162/63
150	London	2163/64
151	London	2164/65
152	London	2165/66
153	London	2166/67
154	London	2167/68
155	London	2168/69
156	London	2169/70
157	London	2170/71
158	London	2171/72
159	London	2172/73
160	London	2173/74
161	London	2174/75
162	London	2175/76
163	London	2176/77
164	London	2177/78
165	London	2178/79
166	London	2179/80
167	London	2180/81
168	London	2181/82
169	London	2182/83
170	London	2183/84
171	London	2184/85
172	London	2185/86
173	London	2186/87
174	London	2187/88
175	London	2188/89
176	London	2189/90
177	London	2190/91
178	London	2191/92
179	London	2192/93
180	London	2193/94
181	London	2194/95
182	London	2195/96
183	London	2196/97
184	London	2197/98
185	London	2198/99
186	London	2199/00
187	London	2200/01
188	London	2201/02
189	London	2202/03
190	London	2203/04
191	London	2204/05
192	London	2205/06
193	London	2206/07
194	London	2207/08
195	London	2208/09
196	London	2209/10
197	London	2210/11
198	London	2211/12
199	London	2212/13
200	London	2213/14
201	London	2214/15
202	London	2215/16
203	London	2216/17
204	London	2217/18
205	London	2218/19
206	London	2219/20
207	London	2220/21
208	London	2221/22
209	London	2222/23
210	London	2223/24
211	London	2224/25
212	London	2225/26
213	London	2226/27
214	London	2227/28
215	London	2228/29
216	London	2229/30
217	London	2230/31
218	London	2231/32
219	London	2232/33
220	London	2233/34
221	London	2234/35
222	London	2235/36
223	London	2236/37
224	London	2237/38
225	London	2238/39
226	London	2239/40
227	London	2240/41
228	London	2241/42
229	London	2242/43
230	London	2243/44
231	London	2244/45
232	London	2245/46
233	London	2246/47
234	London	2247/48
235	London	2248/49
236	London	2249/50
237	London	2250/51
238	London	2251/52
239	London	2252/53
240	London	2253/54
241	London	2254/55
242	London	2255/56
243	London	2256/57
244	London	2257/58
245	London	2258/59
246	London	2259/60
247	London	2260/61
248	London	2261/62
249	London	2262/63
250	London	2263/64
251	London	2264/65
252	London	2265/66
253	London	2266/67
254	London	2267/68
255	London	2268/69
256	London	2269/70
257	London	2270/71
258	London	2271/72
259	London	2272/73
260	London	2273/74
261	London	2274/75
262	London	2275/76
263	London	2276/77
264	London	2277/78
265	London	2278/79
266	London	2279/80
267	London	2280/81
268	London	2281/82
269	London	2282/83
270	London	2283/84
271	London	2284/85
272	London	2285/86
273	London	2286/87
274	London	2287/88
275	London	2288/89
276	London	2289/90
277	London	2290/91
278	London	2291/92
279	London	2292/93
280	London	2293/94
281	London	2294/95
282	London	2295/96
283	London	2296/97
284	London	2297/98
285	London	2298/99
286	London	2299/00
287	London	2300/01
288	London	2301/02
289	London	2302/03
290	London	2303/04
291	London	2304/05
292	London	2305/06
293	London	2306/07
294	London	2307/08
295	London	2308/09
296	London	2309/10
297	London	2310/11
298	London	2311/12
299	London	2312/13
300	London	2313/14
301	London	2314/15
302	London	2315/16
303	London	2316/17
304	London	2317/18
305	London	2318/19
306	London	2319/20
307	London	2320/21
308	London	2321/22
309	London	2322/23
310	London	2323/24
311	London	2324/25
312	London	2325/26
313	London	2326/27
314	London	2327/28
315	London	2328/29
316	London	2329/30
317	London	2330/31
318	London	2331/32
319	London	2332/33
320	London	2333/34
321	London	2334/35
322	London	2335/36
323	London	2336/37
324	London	2337/38
325	London	2338/39
326	London	2339/40
327	London	2340/41
328	London	2341/42
329	London	2342/43
330	London	2343/44
331	London	2344/45
332	London	2345/46
333	London	2346/47
334	London	2347/48
335	London	2348/49
336	London	2349/50
337	London	2350/51
338	London	2351/52
339	London	2352/53
340	London	2353/54
341	London	2354/55
342	London	2355/56
343	London	2356/57
344	London	2357/58
345	London	2358/59
346	London	2359/60
347	London	2360/61
348	London	2361/62
349	London	2362/63
350	London	2363/64
351	London	2364/65
352	London	2365/66
353	London	2366/67
354	London	2367/68
355	London	2368/69
356	London	2369/70
357	London	2370/71
358	London	2371/72
359	London	2372/73
360	London	2373/74
361	London	2374/75
362	London	2375/76
363	London	2376/77
364	London	2377/78
365	London	2378/79
366	London	2379/80
367	London	2380/81
368	London	2381/82
369	London	2382/83
370	London	2383/84
371	London	2384/85
372	London	2385/86
373	London	2386/87
374	London	2387/88
375	London	2388/89
376	London	2389/90
377	London	2390/91
378	London	2391/92
379	London	2392/93
380	London	2393/94
381	London	2394/95
382	London	2395/96
383	London	2396/97
384	London	2397/98
385	London	2398/99
386	London	2399/00
387	London	2400/01
388	London	2401/02
389	London	2402/03
390	London	2403/04
391	London	2404/05
392	London	2405/06
393	London	2406/07
394	London	2407/08
395	London	2408/09
396	London	2409/10
397	London	2410/11
398	London	2411/12
399	London	2412/13
400	London	2413/14
401	London	2414/15
402	London	2415/16
403	London	2416/17
404	London	2417/18
405	London	2418/19
406	London	2419/20
407	London	2420/21
408	London	2421/22
409	London	2422/23
410	London	2423/24
411	London	2424/25
412	London	2425/26
413	London	2426/27
414	London	2427/28
415	London	2428/29
416	London	2429/30
417		

Forbes

Business Classified

Business Finance

BANK SAYS 'NO'?...
WE SAY 'YES!'

We'll pay you cash for your company's ongoing receivables within 24 hours. Approvals by phone. Personalized service. No upfront fees. No collateral required. References available. Call today to CASH \$50,000 minimum to \$2,500,000. It's more affordable than you think.

Mr. Weil (CEO) 800-499-6179
(or 888-505-7332 for recorded information)
www.4capitalsolutions.com

Jewelry

JOHN CHRISTIAN
DESIGNERS & CRAFTSMEN

3 DAY
RUSH
AVAILABLE!

Children's
Names & Birthstones

Anniversary Date
IN ROMAN NUMERALS!
December 11, 1998
XII XI MCMXCVIII

14K: ANNIVERSARY \$750 Convert Your Date Online!, MOTHER'S \$450 (UP TO 5 NAMES)

FREE CATALOGUE RINGBOX.COM 1-888-646-6466

Timeshares

TIMESHARES

save up to...

70%
off retail!

- BEST RESORTS, PRICES & WEEKS
- GREAT RCI & II EXCHANGES
- FREE CATALOG

CALL 800-640-7639

HOLIDAYGROUP.com/fm

China Tours



Access China Tours

Superior Deluxe Packages
20 Itineraries From 9 To 22 Days

Private & Business Trips

1-800-788-1399

www.AccessChinaTours.com

Corporate Retreat



Unique
Sayers Brook Bison Ranch/Resort
Beautiful Ozark Mountains, 90
minutes South of St. Louis.
Sporting clays, bird hunting,
machine guns, Humvee trails,
fishing—over 3000 acres. Security!
Gourmet dining. Groups of 7-22.
www.sayersbrook.com or 888/854-4449

Diamond Jewelry



Diamond Manufacturing

selling to the public all shapes and qualities
diamonds. AGS and GIA diamonds.
Ideal Cuts, Hearts and Arrows,
and Fancy Colors.
Best Prices. Satisfaction Guaranteed.
Our 28th year.

www.thediamondmaven.com
1-800-435-2872 1-212-944-8491
info@thediamondmaven.com

Legal Services

LAW OFFICES OF ANDREW J. SCHATKIN

LABOR AND EMPLOYMENT MATTERS;
IMMIGRATION; PERSONAL INJURY;
APPEALS; NATIONAL AND
INTERNATIONAL LISTED IN
WHO'S WHO IN AMERICA.

P: 516-932-8120 • 718-229-2761
F: 516-465-7068 • 718-279-7247

E-MAIL: SCHATKIN@YAHOO.COM
FOR FURTHER INFORMATION PLEASE CONSULT
WWW.SCHATKINLAW.COM

Art Wholesale

We Buy, Sell Fine Art & Collections.

Peter Max, Warhol, Neiman, Erte, Agam,
Dali, Haring, Lichtenstein, Behrens,
Britto, Fairchild, Fazzino, Hofmann,
Schwaiko, Maimon, Tarkay, and More -
Over 20,000 Artworks in Inventory.

Gallery Art.

20633 Biscayne Blvd. Aventura, Fla.
(888)932-6166 www.Gallart.com

Education

Amazing Financial
Interviews!

Visit:
PersonalInvestorsHr.com

Business Financing

GLOBAL BUSINESS
FUNDING:

Need capital for operations, growth or new
equipment? Any type of business loan, new
& used equipment leasing, factoring, vendor
programs, Commercial RE. All Credit
Quality (A-D), all business sizes from start
up to Fortune 500. Apply online at

<http://www.globalbusinessfunds.com>
Tel: 231-547-0155

Forbes

THE FORBES COLLECTOR

Masterpiece or Fake?
Bargain or Ripoff?

Let *The Forbes Collector* teach
you the difference. From
American landscape painting to
modern photographs to baseball
memorabilia, *The Forbes Collector*
will show you where the hidden
gems are. Don't miss this insider's
guide. Subscribe and get 4 Free

Reports. Call toll free:
1-877-733-7876 or go to
www.forbes.com/collector

Forbes

Forbes

SLAM DUNK INVESTING IN OIL

Curtis Hesler, Editor of
Professional Timing Service, rec-
ommended Enerplus Resources
(ERF) at \$17. It's now \$35, and
still pays a 10% dividend. He
believes that there are 4 major
opportunities--crude oil, gold,
stocks and bonds--that will make
and break millionaires. Subscribe
today and get his free special
report, *Oil: Slam Dunk Investing
for Income & Capital Gains*.
Call toll free 1-877-733-7876 or
www.forbesnewsletters.com/pts

Naples Florida

Luxury Home &
Condominium Sales

Call: Jerry Cangiano-
Prestige Properties
239-438-2437 or
email: jerry@livenaples.com

Forbes Subscriber Service

To plan your order, to renew, change
your address or other customer
service, visit our site at...

www.forbes.com/customerservice

Forbes Business Classified

For Advertising Information and Rates Contact:
Media Options:

1-800-442-6441
mediopt@aol.com

You can
charge
your ad



The fastest way to learn a language. Guaranteed.™

Finally, a different approach that has millions of people talking. Using the award-winning Dynamic Immersion™ method, our interactive software teaches without translation, memorization or grammar drills. Combining thousands of real-life images and the voices of native speakers in a step-by-step immersion process, our programs successfully replicate the experience of learning your first language. Guaranteed to teach faster and easier than any other language product or your money back. No questions asked.

French	Italian	German	Japanese	Thai	Arabic	Turkish	Polish	Swedish
Chinese	Vietnamese	Russian	Indonesian	Korean	Hebrew	Danish	Welsh	Pashto
English	Spanish	Farsi	Portuguese	Hindi	Greek	Swahili	Dutch	Latin
(US or UK)	(Latin America or Spain)							

Award-winning software successfully used by U.S. State Department diplomats, Fortune 500® executives and millions of people worldwide.

Step-by-step immersion instruction in all key language skills:



Listening - Rosetta Stone uses native speakers and everyday language to develop your understanding of the spoken language naturally and easily.



Reading - Text exercises develop your reading skills by linking written language to real-life objects, actions and ideas.



Speaking - Speech-recognition feature records, diagrams and compares your voice to the native speaker's, grading your pronunciation.



Writing - Dictation exercises evaluate your spelling, syntax and punctuation.

"...your program is the absolute best, bar none. I am shocked at how quickly I learn."

- Michael Murphy
Texas, USA

"Stupendous...the juxtaposition of text, sound and picture was masterful. The quality of both sound and graphics was first rate."

- The Boston Globe

Great Holiday Gift Idea



**SAVE
10%**

Level 1 Program
Regularly ~~\$195.00~~

Level 2 Program
Regularly ~~\$225.00~~

Level 1 & 2
Regularly ~~\$329.00~~



Your Price
\$175.50



Your Price
\$202.50



Your Price
\$296.10

Personal Edition. Solutions for organizations also available.

Call today or buy online for a 10% discount.

RosettaStone.com/fbs115

1-888-232-8823

Use promotional code fbs115 when ordering.

Give the gift they'll talk about all year!

RosettaStone
Language Learning



Success

**Unwrap
the World!**

Forbes

Business Classified

Business Opportunities

**Own A
Private Bank**
800-733-2191

OFFSHORE

Companies
Banking
Credit Cards
Privacy
Capital Asset Management
(800) 710-0002
Visa/Mc/Amex
Free Brochure
www.assetprotection.com

UNITED STATES PATENT

No Competition - Billion Dollar Industry. Make more money in one month than most people earn in one year. If you can comfortably afford an investment of \$14,900 a high six figure income is very probable.

Call: 888-369-1646

New Mexico Business Gem

Busy natural "pharmacy". Thriving retail store, national/international sales via catalog and extensive web site. Est. 1983. Market is growing along with aging boomers. 1.2M annual revenue, net \$150K. Asking \$695K plus inventory. Inquiries to KDWHoward@hotmail.com

Success, Power, and Freedom
Equipment Lease Brokerage

Learn how to tap a \$220 billion industry from the world's authority in leasing. Low risk, high yield, low overhead, and turnkey.
"Mention ad for discount"
www.leasinginstitute.org
800-429-3335

Capital Available

Working Capital

P.O. Trade Finance
Letters of Credit
Domestic and International
Accounts Receivable Factoring
Capstone Business Credit, LLC

212-755-3636
212-755-6833 (Fax)

Office Furniture



Premium Ergonomic
Task Seating
Full features, mesh back
Internet special \$399.
plus \$30 shipping
www.e-chairusa.com

the e-chairUSA 866-474-8748

Watches

NATIONAL WATCH & DIAMOND

• BUY • SELL • TRADE
OVER 300 PRE-OWNED
ROLEX IN STOCK
also Cartier, Breitling & Tag
LARGEST SELECTION OF
CERTIFIED DIAMONDS
1-800-8-WATCHES
Visit Our Web Site: nationalwatch.com
8th & Chestnut Streets, Phila. PA

Legal Services

ASSET PROTECTION

Domestic & Offshore Strategies
Companies, Trusts, Private Banking

- Maximum Privacy
- Tax Savings
- Estate Planning
- Global Investments



Nevine Carmelle E.A., M.S.T.
1-800-621-2920

Newsletter

THE WORLD IS SHRINKING!

Nanotechnology is changing our world ... our clothes, the military, science, autos, medical technology ... everything! It's the investment opportunity of a lifetime for those who buy tomorrow's superstars today. The monthly **Forbes/Wolfe Nanotech Report** puts you on the right side of history, separates the true leaders from the overhyped. Subscribe risk-free at just \$195. Save 67.5% and get 2 valuable Free Reports. Satisfaction guaranteed by Forbes. Call 800-523-7967 or go to www.forbeswolfe.com/frb. Please use savings code JN5SAVE.

Luxury Yachting

Rent A Greek
Cruising Palace

And sail
among the
1,000 Greek
islands

THEN YOU CAN SELECT YOUR OWN
ENVIRONMENT, YOUR OWN SCENERY, YOUR OWN ISLAND

Charter a motor yacht, motor sailer or sailing yacht (for 4 to 200 guests from 60' to 490' and \$1,500 to \$200,000 per day for entire yacht with its full crew) from VALEF YACHTS, agents for the largest fleet of crewed yachts for charter in Greece.

IT COSTS NO MORE THAN BEING ON A CRUISE SHIP

BUT

- You can plan your own itinerary with your own captain
- Your food with your own chef
- Your drinks with your own steward, or leave it up to them to... pamper you.

VALEF YACHTS LTD.

International Headquarters: 7254 Fir Rd., P.O.B. 385, Ambler, PA 19002 U.S.A.
Tel: (215) 641-0423 • (800) 223-3845 • Fax: (215) 641-1746
E-mail: INFO@VALEFYACHTS.com • Website: VALEFYACHTS.com

Ghost Writer

Have you always dreamed of writing a book but can't find the time?

Allow us to make your dream come true
Call Aaron D. Lewis at
The Scribes Ink, the leader in professional writing services
860-796-1955
or email: scribesink@aol.com

Forbes

The Forbes Stock Market Course

The Forbes Stock Market Course is an easy-to-read common sense guide to building wealth. It is a perfect gift for family and friends ... for anyone who is interested in investing. The newest edition gives you a better understanding of everything from Financial Statements to Fundamental and Technical Analysis - Stocks and Bonds to Futures and Options - Mutual Funds to Hedge Funds. As a reader of *Forbes Magazine* you are invited to take advantage of a special price of just \$99.95 (save \$50 off the regular \$149.95 price). Go to www.forbesinc.com/mc4 and place your order now or call 1-800-429-0106 and give the operator a special savings code of S3Q05.

Office Furniture

Authorized Online Dealer for
HON & BASYX
Office Furniture



- ★ Free Delivery
- ★ Extensive Online Catalog
- ★ Volume Discounts

Basyx Mesh Back
Chair Only \$279

PlanetOfficeFurniture.com

Forbes
Subscriber
Service

To plan your order, to renew, change your address or other customer service visit our site at

www.forbes.com/customerservice

Forbes Business Classified

For Advertising Information and Rates Contact:

Media Options:

1-800-442-6441
mediopt@aol.com

You can
charge
your ad



Forbes

Business Classified

Humidifier & Purifier Two in one

Choose the best.
No need for filterpads.
It's so simple.

Patent-No. 5,894,001

Patented German engineering. Worldwide unique. Perfected with the newest cold water evaporation technology. 100% made in Germany. 10 year warranty. 100% satisfaction.

www.venta-airwasher.com



Red dot design
award winner 2003.

The "Wunderding" so simple - so efficient

7 outstanding benefits make Venta-Airwasher Europe's #1 bestseller for Humidifiers/Purifiers:

1. No filterpads, no wicks, no cartridges needed. Hassle free. It's so simple. 2. No problems with white dust. 3. No ozone that might cause asthma problems. 4. Extremely hygienic and easy cleaning. No bacteria-ridden filterpads or wicks. 5. Easy, problem-free maintenance; robust and durable construction. 6. Invisible humidification by cold evaporation, recognized as the best possible technique. 7. Pure water evaporates; impurities, stale tobacco smoke and odors are trapped in the water.

More than 10,000 doctors have bought Venta-Airwashers for themselves and their families.

Many famous customers are already enjoying the benefits of the Venta-Airwasher: e.g. Porsche, adidas, Sony Europe, Nestle, McDonalds, Audi AG, Microsoft, Volvo North America, The New Yorker, Carnegie Hall (40 units).

Call toll free: 1-888-333-8218

ED BATH &
BEYOND®

Available
at selected
retail stores.

ACE
Hardware

True Value.

LINENS-N-THINGS

venta®
AIRWASHER

Test the Venta-Airwasher cost-free.

If there is no dealer close to you, try the Airwasher in your home for 14 days. If you are not fully satisfied, we will have the Airwasher picked up from your home and your credit card will not be charged. Free shipping anywhere in the US. Please ask for a free brochure.

THOUGHTS

On the Business of Life

The odds are, if asked to pick the "greatest fire" eight out of seven of us would probably answer, "Chicago." But the absorbing pictorial history *The Great Fire—Chicago 1871* points out: "A macabre coincidence, still not widely known a century later, is that on Oct. 9, the day after the Chicago holocaust began, a river of fire roared out of the woods near the lumber town of Peshtigo, Wis. and killed 1,152 persons." Imagine, during the "Great Fire," another, in just a few hours, resulted in burning to death ten times as many people.

—MALCOLM FORBES (1976)

Tragedy is like strong acid—it dissolves away all but the very gold of truth.

—D.H. LAWRENCE

When you close your eyes to tragedy, you close your eyes to greatness.

—STEPHEN VIZINCZEY

A tragic situation exists precisely when virtue does not triumph but when it is still felt that man is nobler than the forces which destroy him.

—GEORGE ORWELL

Life is a dream for the wise, a game for the fool, a comedy for the rich, a tragedy for the poor.

—SHOLOM ALEICHEM

The bad end unhappily, the good unluckily. That is what tragedy means.

—TOM STOPPARD

It is restful, tragedy, because one knows that there is no more lousy hope left. You know you're caught, caught at last like a rat with all the world on its back. And the only thing left to do is shout.

—JEAN ANOUILH



Tragedy and comedy are simply questions of value; a little misfit in life makes us laugh; a great one is tragedy and cause for expression of grief.

—ELBERT HUBBARD

If you believe, as the Greeks did, that man is at the mercy of the gods, then you write tragedy. The end is inevitable from the beginning.

—LILLIAN HELLMAN

It was a Greek tragedy. Nixon was fulfilling his own nature. Once it started it could not end otherwise.

—HENRY KISSINGER

In tragedy every moment is eternity; in comedy, eternity is a moment.

—CHRISTOPHER F

Only a great mind that is overthrown yields tragedy.

—JACQUES BARZU

The essence of tragedy is to know the end

—CHARLES W. FERGUSON

Satire is tragedy plus time.

—LENNY BRU

Tragedy is when I cut my finger. Comedy is when you fall into an open sewer and die.

—MEL BROOKS

A Text...

If in this life only we have hope in Christ, we are of all men most miserable.

—I CORINTHIANS 15:19

Sent in by John J. McCartney Jr.
Chicago, Ill.

November 14, 2005 • Volume 176 • Number 10 FORBES (ISSN 0015 6914) is published biweekly, monthly in August, with an extra issue in April and October, by Forbes Inc., 60 Fifth Ave., New York, NY 10011. Periodicals postage paid at New York, NY and at additional mailing offices. Canadian Agreement No. 40036469. Return undeliverable Canadian addresses to 74962 Bath Road, Mississauga, ON L4T 1L2. GST # 12576 9513. RT. POSTMASTER: Send address changes to Forbes Subscriber Service, P.O. Box 5471, Harlan, IA 51593-0971. Forbes Subscriber Service is available online. To subscribe, change your address or for other assistance, please visit www.forbes.com/customerservice. Or write to Forbes Subscriber Service, P.O. Box 5471, Harlan, IA 51593-0971. MAILING LIST: We make a portion of our mailing list available to reputable firms. If you prefer that we not include your name, please write us. Copyright © 2005 Forbes Inc. All rights reserved. Title is protected through a trademark registered with the U.S. Patent Office.

November 28



Who Gets Rich
Yahoo's New



NOVEMBER 28, 2005 | WWW.FORBES.COM

Forbes

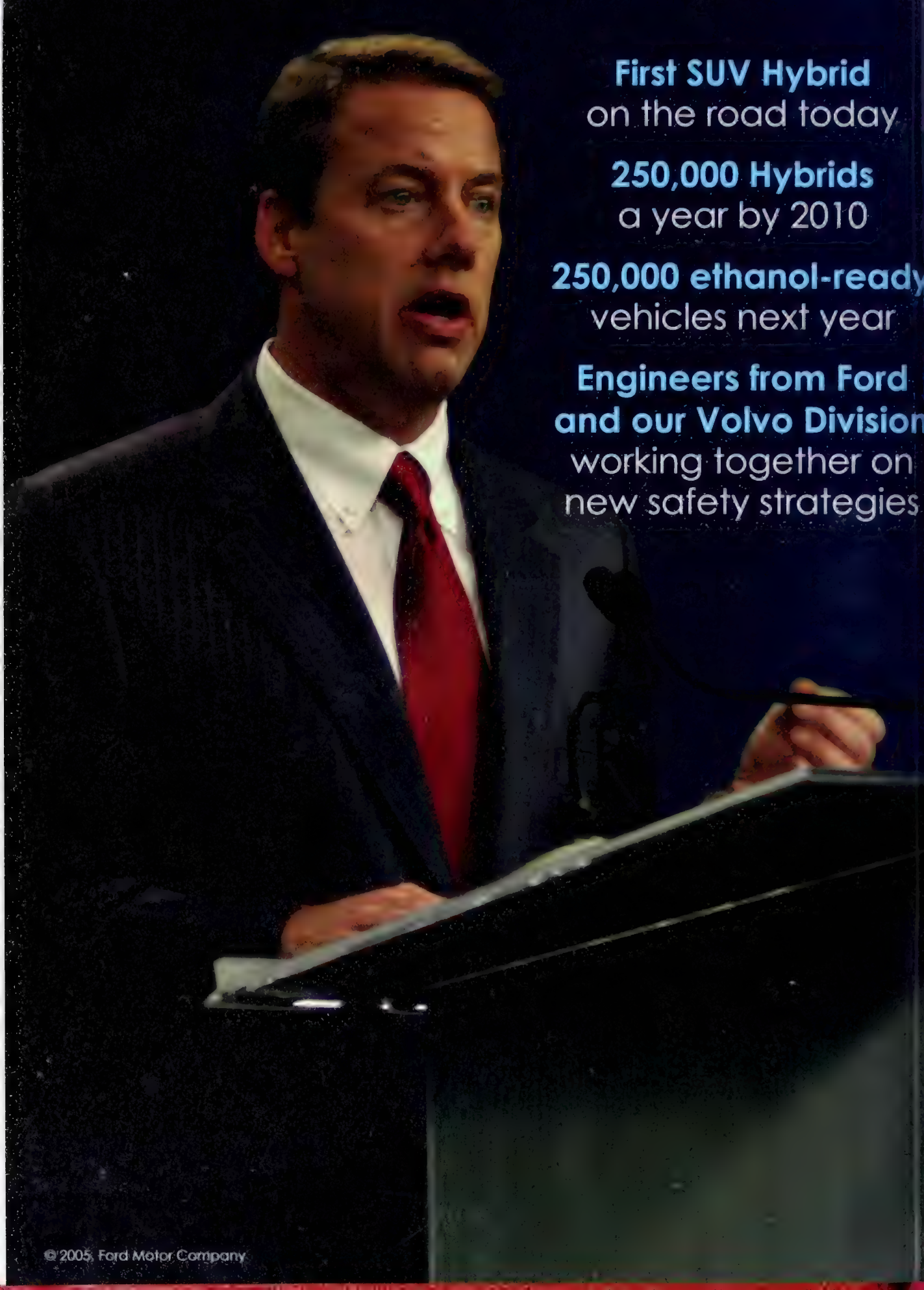
the Qualcomm Kid

HIS FATHER
BUILT A
WIRELESS
WONDER.
IS **PAUL
JACOBS**
AS GOOD
AS DAD?

ICA'S LARGEST
TE COMPANIES
BY PLAY:
MUM IS HOT AGAIN

#BXBCB6J *****AUTO**
#FRB0075205773/2# 00
BURLINGAME PUBL LIB
480 PRIMROSE RD
BURLINGAME CA 94010

BURLINGAME
NOV 29 2005
LIBRARY

A man with short brown hair, wearing a dark suit, white shirt, and red tie, is speaking at a dark podium. He is looking slightly to his right with an open mouth as if in the middle of a speech. The background is dark and out of focus.

First SUV Hybrid
on the road today

250,000 Hybrids
a year by 2010

250,000 ethanol-ready
vehicles next year

Engineers from Ford
and our Volvo Division
working together on
new safety strategies

INNOVATION

is our mission.

The guiding compass
of everything we do.

Smarter, safer, more
fuel-efficient vehicles.



Bill Ford
Chairman and CEO
Ford Motor Company



Driving American Innovation

ford.com/innovation

To us, creating beauty is just as important



At Samsung we realize that to succeed in business, we must also succeed in life.

While we're committed to award-winning innovative design, we're also committed to the natural world around us. This extends to our many global projects designed to help clean up and preserve the beauty of the environment. It's all a part of our drive and dedication to make this a better world.

www.samsung.com

A better world is our business.

...serving it.



PREEMPTIVE SECURITY IS HERE.

Wake up!

PREEMPTIVE PROTECTION WILL

secure

YOUR FUTURE.



Proventia ESP



Proventia ESP (Enterprise Security Platform) from ISS stops Internet threats before they impact your business. With intrusion prevention and vulnerability assessment products and services, Proventia ESP reduces your overall risk and helps enable regulatory compliance and business continuity. Only ISS keeps you ahead of the threat with preemptive protection for your entire enterprise. [Download a free white paper at www.iss.net/ESP/forbes](http://www.iss.net/ESP/forbes), or call 1-800-776-2362.

NETWORK & HOST INTRUSION PREVENTION | VULNERABILITY MANAGEMENT | MANAGED SECURITY SERVICES

©2005 Internet Security Systems Incorporated. All rights reserved.



Identity thieves
will access your
customer database
at noon.

 INTERNET | SECURITY | SYSTEMS®

Ahead of the Threat.™



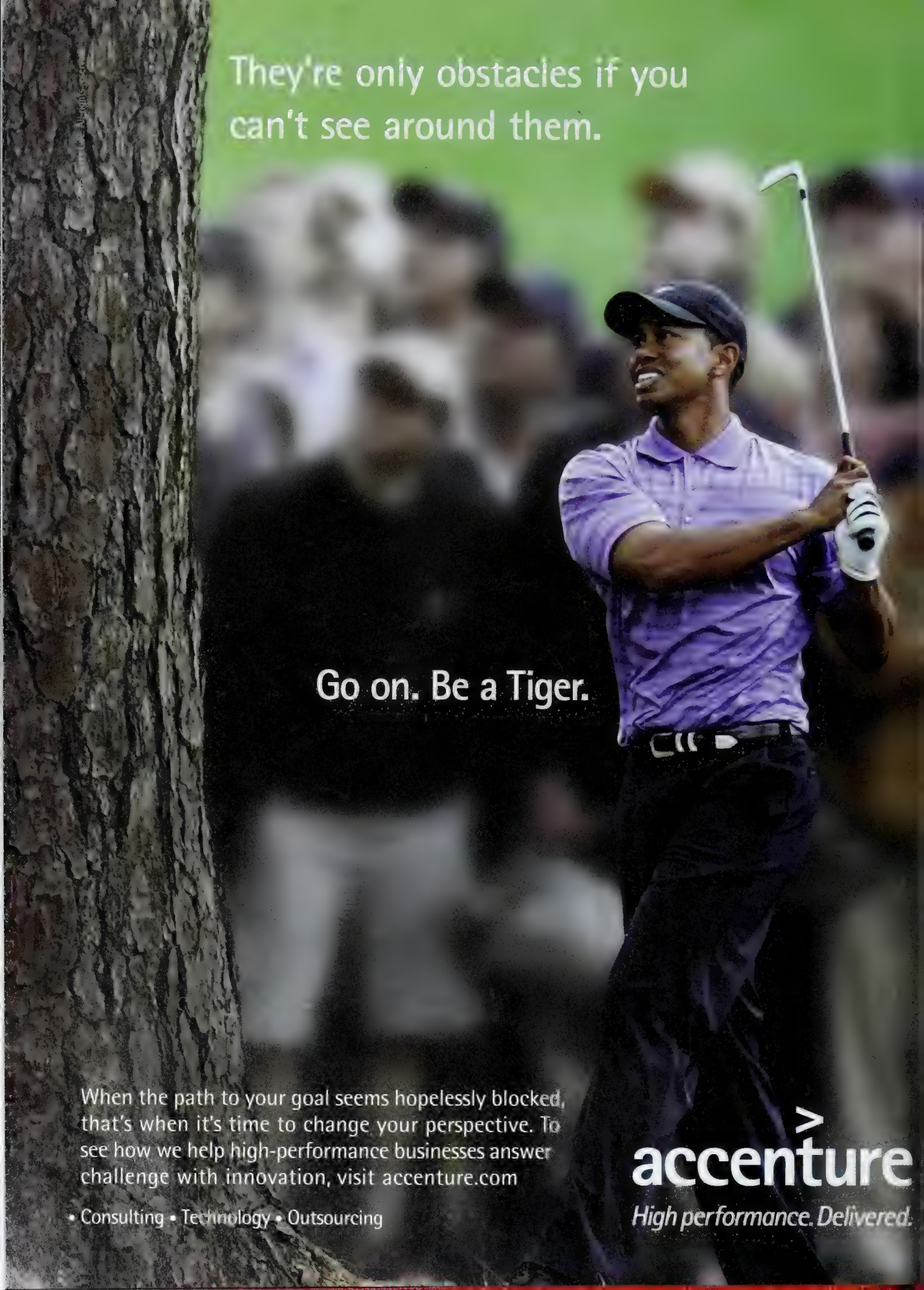
YOU CAN'T
HAVE A
FAVORITE
PLACE UNTIL
YOU'VE SEEN
THEM ALL.

Do you live an InterContinental life?



INTERCONTINENTAL®
HOTELS & RESORTS

Call 1-800-ICHOTELS
or visit www.intercontinental.com

A full-page advertisement featuring Tiger Woods in mid-swing. He is wearing a purple polo shirt, dark trousers, and a dark cap. He is positioned next to a large, textured tree trunk on the left. The background is a blurred crowd of spectators. The text is overlaid on the image.

They're only obstacles if you
can't see around them.

Go on. Be a Tiger.

When the path to your goal seems hopelessly blocked,
that's when it's time to change your perspective. To
see how we help high-performance businesses answer
challenge with innovation, visit accenture.com

• Consulting • Technology • Outsourcing

>
accenture
High performance. Delivered.

Contents

NOVEMBER 28, 2005 | VOLUME 176 NUMBER 11

On the Cover

30 | Qualcomm's Embattled Heir

His father built a wireless wonder. Is Paul Jacobs as good as Dad?
By David Whelan

37 | Energy Play

Uranium is hot again. By Tamar Shaffer

47 | The Hottest IPOs

What's the next Google? By Andy
Laufer, Scott DeCarlo and Shlomo Reifman

56 | Getting Rich Off

Health Care Lots of people are making a mint off America's ailing \$2 trillion medical system. Thomas Moore is among the most creative of them.
By Nathan Vardi

60 | Yahoo's New Money

Machine Entertainment on the Internet dropped years ago. Yahoo says it has a better way: Do it yourself.
By Quentin Hardy

America's Largest Private Companies

94 | Bright Spot

Buyout king William Ross is putting new life into the moribund U.S. textile industry. By Mark Taper

104 | Spare Parts

The car parts industry is best known for its failures. But Bosch is rising from the scrap heap. By Joann Muller

112 | The Top Private Companies

We rank firms with revenues of at least \$1 billion.
By Shlomo Reifman and Samantha N. Wong

Contents

NOVEMBER 28, 2005

16 Index

22 Side Lines

26 Readers Say

31 **Fact and Comment** | **Steve Forbes** has some questions about the investigation of the alleged CIA leak.

34 **Other Comments**

37 **Current Events** | **Paul Johnson** on the role of prayer in the White House.

39 **Digital Rules** | **Rich Karlgaard** says college towns are real estate bargains.

40 **Informer** | A Mexican pop star sings the taxman blues; Time Warner's diversity problems.

42 **On My Mind** | **Who Needs a College Campus?** *By David Gelernter*

46 **Follow-Through** | **Flashbacks**

280 **Thoughts**

OUTFRONT

48 **Careful What You Ask For** Conservatives John Roberts and Samuel Alito may not be as pro-business as you think. *By Daniel Fisher and Peter Lattman*

50 **The Second Coming** Taiwanese computer maker Acer is back. Watch out, Dell. *By Deborah Orr*

52 **Get This Man a Pension** Bradley Belt has the awful job of rescuing the nation's tottering pension insurance system. *By Neil Weinberg*

54 **Chicken Little** Should Tyson and Perdue be worried about bird flu? *By Matthew Herper*

54 **Rolling, Rolling, Rolling** Goodyear has produced restructuring plans almost as fast as new tires over the past few years. The latest one is actually working. *By Jonathan Fahey*

56 **Thumbs on the Scale** A new executive-pay scandal comes to light. *By Elizabeth MacDonald with Erika Brown*

58 **Outplaced—and Without Cobra** The Indian government aims to repurpose snake charmers as "barefoot conservationists." *By Alan Farnham*

Plus: Who's doing the oil-gouging? ... Japan's Mad Cow cuts ... China's richest.



HEALTH

62 **To Walk Again** Breakthroughs in neural research offer the first glimmer of hope for those suffering spinal cord injuries. *By Robert Langreth*

107 | GATEFOLD: IPOS

2005 UPDATE

How are last year's biggest initial public offerings doing?

By Andy Stone, Scott DeCarlo and Shlomo Reifman



TECHNOLOGY

69 **One-Eyed Sheep** How a freakish birth defect among Idaho lambs 50 years ago has led to a powerful new cancer treatment. *By Matthew Herper*

72 **Digital Tools** | **Smart Phone. Stupid Software.** *By Stephen Manes*

MARKETING

76 **Collective Opinion** Forget focus groups. New software lets Procter & Gamble and others mine ideas from thousands of opinionated customers. *By Allison Fass*

GATEFOLD: INNOVATION

81 **Flying Into Tomorrow**

83 **Fly by Wire** Upgrades in cockpits in smaller aircraft will make flying safer and easier. *By Mark Tatge*

85 **The Superjet**

Flying from L.A. to China in six hours? You bet, thanks to new commercial aircraft engine technology. *By Tomas Kellner*

ENTREPRENEURS

88 **Last Hurrah** At age 86, can Robert Ross build the biggest nursing school in the world? *By Luisa Kroll*



clusively in Louis Vuitton stores www.louisvuitton.com 866 VUITTON

LOUIS VUITTON



"Now there is considerable optimism."

62

92 Weathering It All Third time's a charm for this little data provider. Or is it? *By Emily Lambert*

94 Space Race The Nishikawas used to make No Parking signs in Tokyo. That triggered a more profitable idea. *By Tim Kelly*

MONEY & INVESTING

102 Nation Building Pimco's Mohamed El-Erian, who'll run Harvard's endowment, has a message about emerging market debt: Get in. *By Michael Maiello*

112 Gassing Up Overpriced energy stocks? Not these oil-and-gas newcomers. *By Kurt Badenhausen*

252 Makers & Breakers | Ameriprise Financial; Acclaim Energy Trust; Starpoint Energy Trust; Community Health Systems; Hasbro.

256 Portfolio Strategy Buy That Earnings Yield *By Kenneth L. Fisher*

258 The Contrarian Stick to Your Guns, Fannie *By David Dreman*

260 Absolute Return | Swedish Stock Pick *By Lisa W. Hess*

COMPANIES, PEOPLE, IDEAS

140 I Want My MVNO! A lot of wireless companies these days don't own their own networks. That's good news for Visage Mobile. *By Erika Brown*

147 Daddy Warbucks Banking Private bankers are crawling out of the woodwork to cater to millionaires. *By Richard C. Morais*

INTERNATIONAL

161 Gandhi, Industrialized India's textile business—like China's—has thrived since the removal of import quotas. *By Robyn Meredith*

176 Welcome to North Korea Even when you are Hyundai, Pyongyang is a problematic partner. *By Donald Kirk*

186 A Penny a Packet Hindustan Lever, the Indian arm of Unilever, sacrifices margins to keep price-conscious customers. *By S. Dinakar*

FORBES LIFE

264 Eden at a Discount Alexander Graham Bell thought Cape Breton was swell. So will anyone interested in paradise at \$850 an acre. *By Monte Burk*

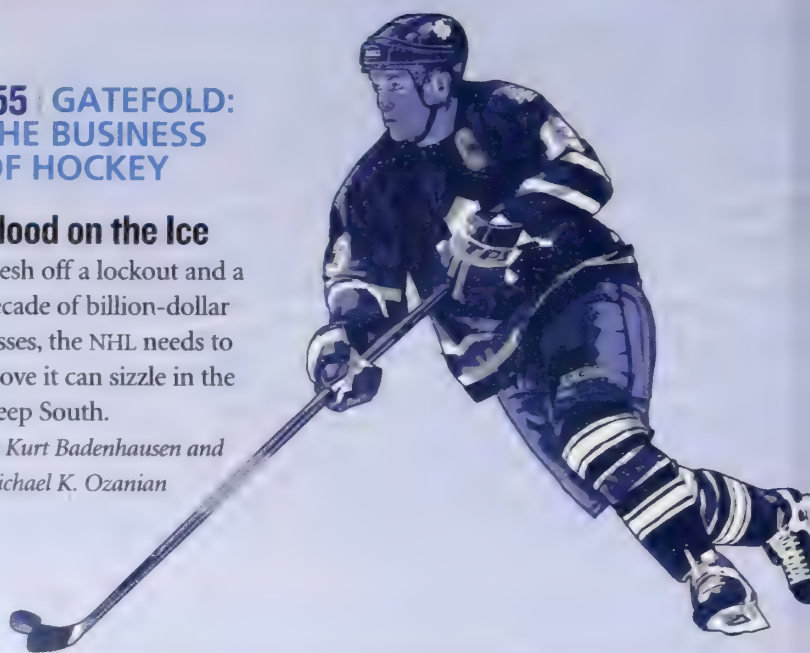
270 Soothing Savage Breasts How Manhattan's premier music school became a mecca for the Wall Street crowd. *By Tomas Kellner*

155 GATEFOLD: THE BUSINESS OF HOCKEY

Blood on the Ice

Fresh off a lockout and a decade of billion-dollar losses, the NHL needs to prove it can sizzle in the Deep South.

By Kurt Badenhausen and Michael K. Ozanian



OMEGA



WE ARE NOW TRAINING
FOR OUR 22nd PARTICIPATION.
THE OLYMPIC GAMES OF TORINO 2006.



MY CHOICE.

OMEGA
IN THE RODEO DRIVE
OPENING HOLIDAY 2005

Ω
OMEGA
OFFICIAL TIMEKEEPER



[HOME](#)
[BUSINESS](#)
[TECHNOLOGY](#)
[MARKETS](#)
[ENTREPRENEURS](#)
[WORK](#)
[PERSONAL FINANCE](#)
[LIFESTYLE](#)
[LISTS](#)
[OPINIONS](#)

Stay Current

Get the latest business news—and the FORBES perspective on it—during each business day directly from Forbes.com or via the following services from our site.



Forbes.com Attaché. Your choice of weather, sports scores, stock prices, news or articles from your favorite FORBES writers and more, always on your desktop—and for free.

E-Mail Newsletters. Choose from 29 daily or weekly collections of our articles sent by e-mail.

RSS Feeds. We offer more than 50 RSS (Really Simple Syndication) feeds of FORBES content.

E-Mail Alerts. Sign up from any article on Forbes.com to get immediate e-mail notification of new stories of interest to you.

Business News Alerts. A desktop application that alerts you when business news breaks or when we publish new investment, lifestyle or video features.

More for Investors

Prices, charts, news and data for funds, U.S. equities and non-U.S. Forbes Global 2000 companies. The latest stock picks and pans from Streetwalker and our investment gurus. Plus Stock of the Week, Stock Focus and commentary from 35 premium investment newsletters and 4 free ones.

Forbes.com Video Network

Beating The Street

By Albert Bozzo

National editor and StreetTalk host Robert Lenzner talks with legendary investor Leon Cooperman of Omega Advisors, one of Wall Street's most famous and successful hedge funds. Cooperman has comfort for investors who fear that the current bull market is running on tired legs. To learn why and see the full interview, go to www.forbes.com/video.

Entrepreneurs

Ask an Expert

By Brett Nelson

Have burning questions about how to run your small business better? E-mail askanexpert@forbes.net with your query, and we will track down the advice you need. One reader recently wanted to know some creative ways to collect on receivables more than 30 days old. We got tips from Emil Hartleb, executive director of the Commercial Collection Agency Association. To read his answers and see other expert advice, go to www.forbes.com/entrepreneurs.

Lifestyle

Most Expensive Off-the-Peg Suits

By Neal Santelmann



Off-the-rack suits fit for a king.

These days a bespoke suit from a top London or Milanese tailor costs \$4,000. So why spend as much or more on a ready-made? Time, convenience and quality. Top tailors like Brioni, Kiton and Ralph Lauren produce ready-made suits that equal the quality of bespoke but without the hassle. Forbes.com lists the most expensive.

Forbes Magazine



Rich Karlgaard

Digital Rules: the Blog

Rich Karlgaard takes his column into the blogosphere, with daily posts as he travels in search of great thinkers and big ideas.

Forbes Lists

All FORBES annual lists, including this issue's roster of America's largest private companies, are available in enhanced interactive form at www.forbes.com/lists.

Forbes Podcasts

Highlights from our weekly radio show are available as podcasts from our Web site.

Forbes on Fox

Go online to see clips from our weekend television program.

Search Our Archive

Past FORBES magazine articles are available on our Web site. Search by author, date or topic.

Forbes

For links to items mentioned on this page: www.forbes.com/extra.

For complete contents of this issue: www.forbes.com/forbes.

By Mail: Forbes magazine
60 Fifth Avenue
New York, NY 10011



Reward yourself.

Reward is one of the reasons most frequently given for buying a Rolls-Royce Motor Car. While customers vary widely in age, background, education and occupation, they all have one thing in common. Success. They are the best at what they do and they have excelled in their chosen field. Now, at the top of their game, they can take the time to do something for themselves. For some, it is that enduring symbol of success, a Rolls-Royce. To understand why the world's most successful people have made Rolls-Royce their choice, experience one for yourself.



Experience the extraordinary.
Contact your Authorised Rolls-Royce Motor Cars Dealer.

Atlanta, GA Bellevue, WA Bethesda, MD Beverly Hills, CA Clearwater, FL Dallas, TX Dublin, OH Fort Lauderdale, FL
Greenwich, CT Houston, TX La Jolla, CA Las Vegas, NV Los Gatos, CA Miami, FL Newport Beach, CA New York, NY
Northbrook, IL Orlando, FL Palmyra, NJ Parsippany, NJ Pasadena, CA Raleigh, NC Rancho Mirage, CA Sewickley, PA
Scottsdale, AZ Troy, MI Wayland, MA Westhampton, NY West Palm Beach, FL

Visit www.rolls-roycemotorcars.com or call 877.877.3735

Index

COMPANIES AND PEOPLE IN THIS ISSUE

A, B, C

ABC Carpet & Home, 162
 ABS, 204
 ACNielsen, 188
 Abbott Laboratories, 70
 Acclaim Energy Trust, 252
 Acer, 50
 Adams, Julian, 70
 Adderton, Peter, 142
 Adit Capital, 98
 Aegon, 256
 Aguayo, Albert, 64
 Airbus, 86
 Akamai, 109
 Alibaba.com, 60
 Alien Technology, 39
 Alito, Samuel, 48
 Allen, 265
 Alnylam Pharmaceuticals, 66
 Amazon, 39
 American Express, 252
 Ameriprise Financial, 252
 Analog Devices, 56
 Apollo Medical Partners, 272
 Apple Computer, 52, 74
 Aranda Investments, 60
 Archer Daniels Midland, 256
 Areva, 100
 Arias, Carlos, 198
 Laura Ashley, 162
 Augustine, Cynthia, 40
 Autoliv, 260
 Avidyne, 83
 BP, 112
 Julius Baer, 152
 Baidu.com, 60, 150
 Bailey, Judson, 112
 Bakane, John L., 198
 Ballinas, Augustin, 118
 Banco de Galicia y Buenos Aires, 104
 Banco Itau Holding Financeira, 256
 Banga, Manvinder Singh, 188
 Bank of America, 150
 Bannister, Clive, 148
 Eddie Bauer, 196
 Beachy, Philip A., 70
 Bear Stearns, 272
 Belk, Jeffrey, 136
 Belt, Bradley, 52
 Bernanke, Ben S., 31, 256
 Bilbe, Graeme, 66
 Bioaxone Therapeutic, 64
 Biogen Idec, 64
 Boehringer Ingelheim, 70
 Boeing, 83
 Bogart, Mark, 126
 Bohr, Bernd, 208
 Boies, David, 132
 Bois d'Arc Energy, 112
 Bosch, Christof, 206
 Robert Bosch, 204
 Boston Consulting Group, 148
 Bottoms, David, 142
 Braun, Lloyd, 180
 Brew, 138

British Telecom, 142
 Broadcom, 134
 Brocade Communications, 56
 Brooke, Lindsay, 208
 Buffett, Warren E., 40
 Bush, George W., 31, 37, 54, 58, 196
 Bussing, Thomas, 86
 Cameco, 98
 Campos, Lorin, 116
 Capco, 148
 Capgemini, 148
 Cardinal Health, 120
 Cardona, Carol, 54
 Caremark, 126
 Carr, Mary Ann, 122
 Carter, Jimmy, 32
 Cathay Pacific Airways, 60
 CavinKare, 186
 Chao, Moses, 64
 Chen Danian, 60
 Chen Tianqiao, 60
 Chevron Group, 112
 Chin, Peggy, 90
 China Ting Group, 198
 Choi, Julie, 272
 Choi & Burns, 272
 Christensen, Clayton, 186
 Chrysler Group, 26
 Cingular, 142
 Circuit City, 50
 Cirrus, 83
 Cisco Systems, 39
 Citic Pacific, 60
 Citigroup, 79, 258, 270
 Claussen Walters & Associates, 266
 Coca-Cola, 32
 Cohen, Barry, 272
 Collins & Aikman, 196
 Comcast, 138, 155
 Communispace, 79
 Community Health Systems, 252
 CompUSA, 50
 Comstock Resources, 112
 Convergys, 142
 Cornell, Joseph, 252
 Correa, Sanjay, 86
 Cracchiolo, James, 252
 Crate & Barrel, 161
 Credit Suisse First Boston, 148
 Curis, 70

D, E, F

DaimlerChrysler, 208
 Data Transmission Network, 92
 Dell, Michael, 50
 Dell, 50
 Desiderio, Samuel, 120
 Deutsche Bank, 150
 Dietz, Volker, 64
 Digital Entertainment Network, 180
 Ding Lei, William, 60
 Walt Disney, 142, 155
 Dobkin, Bruce, 63
 Dominion Resources, 100
 Dovey, Sebastian, 152

DreamWorks SKG, 107
 Dremel, 208
 Duke Energy, 100
 DuPont, 92
 Dutt, Bahar, 58
 Dynegey, 49
 Earthlink, 142
 Eastern Airlines, 196
 Easy Jet, 150
 Ebay, 181
 A.G. Edwards, 252
 El-Erian, Mohamed, 104
 Emergence Capital Partners, 142
 Emerging Portfolio Fund Researc, 104
 Emigrant Savings Bank, 152
 Epstein, Richard, 48
 Ericsson, 39, 136
 Essey, James, 147
 Everson, Mark, 122
 Fannie Mae, 258
 Fehrenbach, Franz, 208
 Finkelstein, Harold, 54
 Fisher, Garth, 124
 Flarion, 138
 Foster, Tim E., 88
 Fosun Group, 60
 Freddie Mac, 258
 Frist, Bill, 32
 Fuhs, William, 152
 Fujitsu Siemens, 50
 Fulton, Gernard, 64

G, H, I

Gabriel, Juan, 40
 Gadick, Ansbert, 124
 Gaggenau, 208
 the Gap, 196
 Garmin, 83
 Gartner, 50
 Gates, Bill, 74
 Gateway, 52
 Gave, Charles, 260
 GaveKal Research Partners, 260
 Genentech, 70
 General Electric, 85
 Gianforte, Greg, 39
 Gibara, Samir, 56
 Ginsburg, Ruth Bader, 48
 Giuliani, Rudolph, 88
 Glass, Philip, 268
 GlaxoSmithKline, 120
 Goetz, Fidelis, 148
 Goldman Sachs Group, 92
 Gome, 60
 Gomez, Michael, 104
 Goodyear Tire & Rubber, 54
 Google, 39, 107, 184
 Gordon, Robert, 92
 Graham, Billy, 37
 Green, Stanley, 120
 Greenspan, Alan, 31, 270
 Grosvenor, Mabel, 268
 Groupe Danone, 56
 Guo Guangchang, 60
 HSBC, 148

Haji-Ioannou, Stelios, 150
 Hallmark, 79
 Hasbro, 252
 Hastert, Dennis, 32
 Hendrix, Felicia Kantor, 252
 Hessian, Diane, 79
 Hewlett-Packard, 39, 50
 Hindustan Lever, 186
 Hoare, Alexander, 150
 C. Hoare & Co., 150
 Hogan & Hartson, 49
 Hoku Scientific, 107
 Honeywell, 83
 Hopson Development, 60
 Hornbeck Offshore Services, 112
 Horowitz, Bradley, 182
 Hyun Jeong Eun, 178
 Hyundai Group, 176
 IBM, 39, 50, 152
 IDC, 140
 Immelt, Jeffrey, 86
 Infinity Pharmaceuticals, 70
 Intel, 134
 International Textile Group, 194
 Intuit, 79

J, K, L

JPMorgan Chase, 22, 102, 150
 Jacobs, Gary, 138
 Jacobs, Hal, 138
 Jacobs, Irwin, 132
 Jacobs, Paul, 130
 Jacobs, Ralph, 138
 Jakks Pacific, 252
 James, Lynn, 70
 Jang Whan Bin, 178
 Jha, Shanjay, 138
 Johnson, Earvin, 120
 Johnson, Matthew, 140
 Johnson, Stephen L., 40
 Johnson & Johnson, 79
 Jones, James B., 83
 Katz, Bertram, 119
 A.T. Kearney, 198
 Keegan, Robert, 56
 Kerry, John, 31
 Kim Dae Jung, 176
 Kim Jong Il, 176
 Kim Yoon Kyu, 178
 Knoa Software, 272
 Koichi, 94
 Koramsa, 198
 Korea Telecom, 142
 Kornfeld, Richard, 137
 Kovner, Bruce, 270
 Kozlowski, Dennis, 56
 Kramer, Dillof, Livingston & Moore, 119
 Kyocera, 138
 LG Electronics, 138
 LTV, 196
 Lakshmi Mittal, 196
 Lancar, 83
 Lanci, Gianfranco, 52
 Landan, Amnon, 56
 Lazard, 22

FORBES is published biweekly, monthly in August, with an extra issue in April and October, by Forbes Inc., 60 Fifth Avenue, New York, NY 10011. **Subscriptions:** U.S.A., or year \$59.95. Canada, one year C\$89.95 (includes GST). **Forbes Subscriber Service** is available online. To subscribe, change your address, or for other assistance, please visit www.forbes.com/customer-service. Or write Forbes Subscriber Service, P.O. Box 5471, Harlan, IA 51593-0971. To purchase back issues of Forbes magazine, call 1-800-429-0106.

Where necessary, permission is granted by the copyright owner for those registered with the Copyright Clearance Center (CCC), 222 Rosewood Dr., Danvers, MA 01923, to photocopy articles owned by Forbes for a flat fee of \$1.50 per copy per article. Send payment to the CCC stating the ISSN (0015 6914), volume, and first and last page number of each article copied. Copying for other than personal use or internal reference, or of articles or columns not owned by Forbes without express permission of Forbes or the copyright owner is expressly prohibited.

To order reprints, call 212-620-2399 or fax 212-206-5118 or e-mail reprints@forbes.com (minimum order 500); to request permission to republish an article, call 212-620-1819 or fax 212-206-5118. Reprints reproduced by others are not authorized.

We don't get you over oceans, mountains
and deserts only to be delayed by Chapter 3,
Part 319, Regulation 40-2 of CFR Title 7.

WHAT CAN BROWN DO FOR YOU?™

If you're trading internationally, your entire
shipment could be hanging on a single clause.
If it's a rule overlooked out of hundreds of
trade agreements or a misinterpretation
of dozens of third parties, mistakes like
these can cause costly delays.

Fortunately, there's a simple solution. Leave the
complexities of global compliance to UPS®. With over
50 years of experience in international trade, we
have the resources and network of people all over

the world to head off problems and facilitate the
movement of your goods. And since we deal with
the thorniest compliance issues every day, we're
up on the very latest, most accurate information.

As your single source for customs brokerage and
international trade management solutions*, we'll
help make sure nothing stands in the way of your
global transactions. Including that mountain of paper.

1-800-PICK-UPS®



Index

COMPANIES AND PEOPLE IN THIS ISSUE

Lear, 196
Lee In Ho, 178
Leeds Weld & Co., 88
Lego, 76
Lehman Brothers, 112, 252, 272
Leibowitz, Martin L., 40
Lenovo Group, 50
Levi Strauss, 196
Levin, Robert, 124
Levine, James, 74
Li, Robin, 60, 150
Lieberman, Gary, 252
Lieberman, Mark, 132
Liedtke, Kurt W., 208
Eli Lilly, 120
Liu Yonghao, 60
Liu Yongxing, 60
Lotte Group, 178
Lotte Tours, 178
Lui, Philip, 272
Luna Technologies, 39
Luo Qiangian, 60
Luong, Phu, 124

M, N, O

M&R Capital Management, 252
MFS Emerging Markets Debt Fund, 104
MPM Capital, 124
MTV Networks, 109
Ma, Jack, 60
Ma, Yo-Yo, 272
Mac Crawford, Edwin, 126
MacElroy, William, 79
MacIsaac, Ashley, 266
MacMaster, Natalie, 266
Madelung, Eva, 206
Maloney, John, 252
Marshall, Jeremy, 150
Mauer, Jane, 152
McCaw, Craig, 134
McDonald's, 32
McGrath, Peter, 198
McGuire, William, 122
McKeon, Douglas, 118
McKerracher, Lisa, 64
McMahon, Shane, 138
Mellon Financial, 152
Menon, Vivek, 58
Merck & Co., 64
Mercury Interactive, 56
Merrill Lynch, 48, 148, 188
MetLife, 256
Mewbourne, Curtis, 104
Microsoft, 32, 72, 98, 134
Milstein, Howard, 152
Minsheng Bank, 60
Mitchell, Robert, 97
Mitsubishi Heavy Industries, 100
Mobius Venture Capital, 142
Mohamed El-Erian, 260
Moore, Thomas, 116
Morgan Stanley, 40, 252

Motorola, 72, 134
Mspot, 74
Mulford, Charles, 56
Murdoch, Rupert, 181
NPD Group, 198
Namjoshi, Sunita, 162
NetEase.com, 60
New York Times Co., 40
Nokia, 132, 260
Norfolk Southern, 256
Novartis, 64, 70, 260
Ntelos Holdings, 109
Nüsslein-Volhard, Christiane, 70
Nyfix, 56
O'Brien, Timothy L., 46
O'Connell & Aronowitz, 118
O'Connor, Sandra Day, 48
Olis, Jamie, 49
Openwave, 138
Oracle, 92
Original Mexican Jean, 198
Oxford Automotive Aps, 196

P, Q, R

Pardes, Herbert, 122
Park24, 94
Parsons, Richard, 40
Patel, Hermant, 188
J.C. Penney, 198
Perdue Farms, 54
Perricone, Nicholas, 122
Pfizer, 79, 124
Phillips, Carter, 48
Pier 1 Imports, 162
Pimco, 22, 104
Piper, 83
Pisano, Wayne, 54
Podgor, Ellen, 49
Polisi, Joseph W., 270
Primus Telecommunications, 142
Prince, Charles O., 270
Principal Financial Group, 252
Procter & Gamble, 56, 76, 188
Qualcomm, 130
Quest Diagnostics, 126
Ragan, Richard, 178
Raghavan, Prabhakar, 184
Rajogopal, Siddhartha, 162
Ranganathan, Chinni Krishnan, 188
Real Rhapsody, 74
Red Hat, 39
Refco, 107
Renaissance Capital, 107
Republic New York, 148
Reuters, 92
Rice, Condoleezza, 270
Rich, Jonathan, 56
Richardson, Scott, 134
RightNow Technologies, 39
Rio Tinto, 100
Roberts, Brian, 138
Roberts, John, 48
Robertson, Jeffrey, 112
Rockwell Collins, 83
Rong Zhijian, Larry, 60
Rosensweig, Dan L., 182
Ross, Robert, 88
Ross, Wilbur L., 194
Royal Dutch/Shell, 112
Rutan, Burt, 86
Rymer, William Zev, 64

S, T, U

SAIC, 109
SBC Communications, 184
SSKI Securities, 188
Safety Components, 196
Safra, Edmond, 148
Saitoh, Tomoyuki, 94
Salmasi, Allen, 137
Samsung Electronics, 74, 138
Sandia National Laboratories, 56
Sanofi Pasteur, 54
Sarraille, Edmund, 76
de Sauvage, Frederic, 71
Scalia, Antonin, 48
Schlesinger, Alice, 120
Schmidleithner, Rudi, 52
Schwab, Martin, 64
Scorpio Partnership, 148
Scott, Matthew, 70
Scoular, 92
Semel, Terry, 180
Serra, Richard, 266
Shanda Interactive Entertainment, 60
Shide Group, 60
Shimao Group, 60
Siebel Systems, 56
Siemens, 208
Silver, Howard R., 116
SK Telecom, 142
Skil, 208
Smith, Kevin, 120
Smulders, Charles, 52
Sony, 137
Spacey, Kevin, 272
Spiegel, Sharon, 22
Spin-Off Advisors, 252
Spitzer, Eliot, 48
Sprint, 72, 134, 142
Stacy, 136
Starpoint Energy Trust, 252
Stefani, Gwen, 74
Stern, Marc, 132
Studdert, David, 116
Sun Microsystems, 39
Superior Well Services, 112
Suzi Moore, 265
Synergy Lifestyles, 161
T-Mobile, 142
TCW Galileo Emerging Markets
Income, 104
TNS Media, 120
Tabin, Clifford, 70
Target, 162
Tauzin, W.J., 126
TemPositions Group of Companies, 147
Texas Instruments, 50, 132
Thermador, 208
Thomas, Clarence, 48
Thomson Financial, 112
Three Rivers Press, 39
Tiger Fund, 60
Time Warner, 40
Toyota Motor, 94, 204, 260
Trump, Donald, 46
Turner, Lynn, 56
Tyson, Donald, 56
Tyson Foods, 54, 56
UBS, 150
UEX, 98
Unilever, 186
Union Pacific, 92
United Heavy Machinery, 100
United Medical Supply, 124
United Technologies, 85
UnitedHealth Group, 122

V, W

Van Kampen Investments, 102
Ventiv Health, 120
Veronis Suhler Stevenson, 92
Vinatex, 196
Viralam, Setty, 124
Virgin, 142
Visage Mobile, 140
Voce, 140
Volkswagen, 208
Vora, Nikhil, 188
Wachtell, Lipton, Rosen
& Katz, 119
Wal-Mart Stores, 60
Waldman, Richard, 118
Walter, R. Blane, 120
Wang, J.T., 50
Ward, Lewis, 140
Watson, Michael, 126
Weingarten, Timothy, 142
Welch, Jack F. Jr., 56
Whole Foods Market, 54
Wieschaw, Eric, 70
Wild Oats Markets, 54
Wilford, Dan S., 122
Wilson, Joseph, 31
Wolfensohn, James, 270
Wong Kwong Yu, 60
Worldview Technology Partners, 142
Wu, Yee-Ping, 272

X, Y, Z

Xu Ming, 60
Xu Rongmao, 60
Yahoo, 39, 60, 109, 180
Zhu Mengyi, 60
Zhu Qingyi, 60
Zion, Sidney, 118

To find out more about how UPS Supply Chain SolutionsSM can help you avoid the delay in international shipping, log on to ups.com/supplychain or call 1-800-742-5727.

With UPS Trade DirectSM, we're able to save between one and two weeks, which gives us the competitive edge, and many times, the order."

— Bob Stevens,
Idea Group, CFO

Idea Group has no time for merchandise to be delayed in customs clearance or to sit gathering dust in a warehouse. The company, based in Indio, California, is in the extremely competitive business of supplying promotional items with very short delivery deadlines.

Because most of their business caters to specific, one-time events, a late shipment can turn a lucrative product order into a stack of worthless boxes — literally overnight. The urgency of their situation is compounded by the fact that their clients have a predisposition for last-minute ordering.

Bob Stevens, Idea Group's chief financial officer says, "Due to the event-based nature of our industry, a few days will often make the difference between getting an order and not getting an order."

That's where UPS[®] came in with Trade Direct Ocean. With Trade Direct, Idea Group saved time by clearing customs faster, cutting out the warehouses and eliminating the need to break shipments down.

The real beauty of it is that the goods are pre-labeled with bar codes in our factory in China," explained Stevens. "When the goods arrive here, they come off the ship, they're scanned by UPS and roll right onto the UPS truck and out to our customers. . . . When in the United States, the goods go from factory to customer without ever leaving the UPS system."

In fact, Stevens and his staff at the Idea Group are so pleased with UPS, that they actually leverage their UPS relationship as part of their sales pitch. They consistently impress customers when they point out how much faster shipments can be with Trade Direct and how services like Flex[®] Global View provide customers with shipping reports and tracking information. Says Stevens, "We're using UPS not just to ship our goods, but to help sell our goods."

The competitive advantage offered by UPS has proven so successful for Idea Group that it's led them to some big thinking about expanding their business. Based on the company's experience with Trade Direct in Asia, Idea Group is now taking steps to increase its manufacturing operations by locating the process across the border in Mexico. According to Stevens, they'll use the same Trade Direct model to move their goods to points all across America.

It's this integration from factory floor to customer door that's helped Idea Group improve overall supply chain efficiency and reduce their order-to-cycle time by a full two weeks. No wonder Bob Stevens enthusiastically endorses UPS. "We're excited to be partnering with UPS," he says. "We feel they've given us a leg up on the competition."

WHAT CAN BRING IN THE FUTURE?





"Highest In Customer Satisfaction
With Business Wireless Service"

Who says you can't have both work AND life?

With the new BlackBerry 7105t™ from T-Mobile, take advantage of the world's largest all-GSM network. It's a quad-band world phone that lets you call, e-mail, and access the Internet overseas. And, you can use one phone number, with reasonable rates and no hidden fees. It's the only way to take care of work and life when you're out of the country. Find out more at www.t-mobile.com or call 1.800.TMOBILE.

I checked my e-mail
after I finished the
conference call.

I replied to the office
back in the States

AND

we raced, my usual run
becoming anything but.

T-Mobile
Get more from life[®]



BlackBerry

Editor

WILLIAM BALDWIN

Managing Editor

DENNIS KNIELE

Executive Editor and Editor, Forbes.com

PAUL MAIDMENT

Executive Editor and Editor, Forbes Asia

TIM W. FERGUSON

Deputy Managing Editor

STEWART PINKERTON

Assistant Managing Editors: Jean A. Briggs, Steve Kichen, Tom Post, Larry Reibstein

Art and Design Director: Robert Mansfield

Editorial Counsel: Lynn B. Oberlander

Editorial Director, Foreign Editions: Katarzyna Wandycz Moreno

Editorial Director, Forbes Asia: Karl Shmavonian

National Editor: Robert Lenzner

Senior Editors: William P. Barrett, Phyllis Berman, Alan Farnham, Daniel Fisher, Robert Langreth, Larry Light, Daniel Lyons, Elizabeth MacDonald, Robyn Meredith (Asia), Richard C. Morais, Peter Newcomb, Michael K. Ozanian, Brett Pulley, Matthew Schiffrin, Bruce Upbin, Merrill Vaughn, Neil Weinberg, Melanie Wells

Contributing Editors: Justin Doebele, Lydia Forbes, Joanne Gordon, Joshua Levine, Dana Wechsler Linden, Dyan Machan, Toni Mack, Stephen Manes, Richard Phalon, Dan Seligman

Associate Editors: Susan Adams, Kurt Badenhausen, Scott Bistayi, James M. Clash, Bernard Condon, Mary Ellen Egan, Nikhil Hutheesing, Deborah Markson-Katz, Luisa Kroll, Deborah Orr, Penelope Weiss

Staff Writers: Monte Burke, Carrie Coolidge, Ashlea Ebeling, Jonathan Fahey (Detroit), Allison Fass, Lea Goldman, Tomas Kellner, Daniel Kruger, Michael Maiello, Chana R. Schoenberger, Nathan Vardi

Senior Reporters: Nicole Ridgway, Deputy Chief; David Armstrong, Heidi Brown, William Heuslein, Susan Kitchens, Matthew Miller, Dirk Smillie

Reporters: Kiri Blakeley, Helen Coster, Elizabeth D. Gravitt, Suzanne Hoppough, Megan Johnston, Peter Lattman, Amanda Schupak, Tatiana Serafin, David Serchuk, Andy Stone

Editorial Assistants: Michele Anderson, Suzanne Dottino, Amanda Ernst, Lucretia McFadden, Victoria Somers

Washington Bureau: Janet Novack, Manager; Andrew T. Gillies, Matthew Swibel, Cristina von Zeppelin

West Coast: Seth Lubove, Manager; Scott Woolley, Stephane Fitch, Dorothy Pomerantz, Evan Hesse

Silicon Valley: Quentin Hardy, Manager; Elizabeth Corcoran, Kerry A. Dolan, Zina Moukheiber, Senior Editors; Victoria Murphy Barret, Erika Brown, David Whelan, Patricia Huang

Midwest: Mark Tatge, Manager; Emily Lambert, Christopher Steiner (Chicago); Joann Muller, Manager (Detroit)

Southwest: Christopher Helman

Europe: Michael Freedman, Manager

Pacific: Tim Kelly, Manager; Kiyoe Minami (Tokyo); Russell Flannery, Manager (Shanghai)

Columnists: Laszlo Birinyi Jr., Marilyn Cohen, David Dreman, Kenneth L. Fisher, Jerry Flint, James Grant, Steve H. Hanke, Lisa W. Hess, Peter Huber, Richard Lehmann, John W. Rogers Jr., A. Gary Shilling

Art Department: Ronda Kass, Deputy Art Director; Charles Brucaliere, Anton Klusener, Senior Associate Art Directors; David Lada, Steven Ramos, Associate Art Directors; Mitsuyo Niwa, Art Assistant; Michele Hadlow, Senior Photo Editor; Stephen Aviano, Meredith Nicholson, Janice Pikey, Photo Editors; Leslie Kippen, Contributing Photo Editor; Gail Toivanen, Special Photography Projects and Research; Robin Regensburg, Traffic

Digital Imaging: Mark Decker, Director; Richard Nobile, Assistant; Elena Torres, Gavin Aghamore; Carmen Ramos, Migdalia Barreto

Statistics: Scott DeCarlo, Editor; Shlomo Reifman, Deputy Editor; Ann C. Anderson, Jody Yen, Senior Editors; Fei Mei Chan, Jack Gage, Lesley Kump, Brian Zajac, Associate Editors; Cleveland Johnson, Database Manager; John J. Ray, Samantha N. Wong, Researchers

Director of Editorial Programming: Mitchel Rand; John Chamberlain, Senior Programmer; Carl Subick

Copy Desk: Tracy Fiske, Deputy; Susan R. Goldberg, Richard Hytler, Suzanne O'Neill, Craig Silver

Information Center: Natalie Cannestra, Assistant Director; Clarita Jones, Information Specialist; Luis Collazo Jr., Jacqueline Daniel, Queenie Flake, Staff

Manufacturing and Production: Mary S. Nemeth, Director of Manufacturing; Emily Alaburic, Michelle Ciulla, Donald R. Conway, Alison Kotch, James Morrow, Joanna Mikolajczuk; Nur Terpis, Production Manager, Forbes Asia

Information Technology: Louie Torres, Bradford Campeau-Laurion, Peter Menoni, Managers; Carolyn Agro-Buonocore, Supervisor; Philip Blake, Esad Becaj, Joseph Lodato, Tim Martin

Online: Dan Bigman, Charles Dubow, Michael Noer

FOUNDED IN 1917

B.C. Forbes, **Editor-in-Chief** (1917-1954)

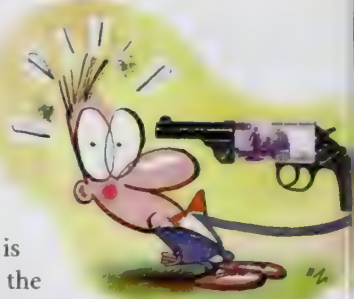
Malcolm S. Forbes, **Editor-in-Chief** (1954-1990)

PAID CIRCULATION OVER 900,000 Printed in U.S.A.

Side Lines

Russian Roulette Investing

Latest product from Wall Street: baskets of flaky currencies. It's a variation on the emerging market debt theme, which has delivered sizzling returns recently, as Michael Maiello outlines on page 102. The difference is that the flaky-currency players don't buy dollar-denominated bonds and don't buy longer-term paper.



The currency game is mostly for institutions at the moment, but retail products are emerging to play it. You buy an exposure to a wide assortment of dubious currencies—rubles, pesos or whatever would send shivers down the spine of a Swiss banker. For diversification, get at least two dozen currencies. Then pray.

You can get the currency exposure either by purchasing short-term paper issued by the flaky government in question or by taking a long position in the futures market for that currency. Either way, you get an excess return built into the pricing of the investment. That is, the interest rate on Argentinean short-term paper, or the price of the peso on the forward market, reflects the risk of a surprise devaluation that will cost you a chunk of your capital.

It's like being paid to play Russian roulette. Most of the time you collect the outside return. Every now and then you take a bullet. But if only 5% of your money is invested in Buenos Aires, you can survive that government's next raid on your bank account.

JPMorgan Chase's index tracking 22 emerging market currencies has returned 7.9% a year over the past decade, with tiny annualized volatility of 6.6%. This basket of currencies, in other words, acted like a sexed-up money market fund. U.S. Treasury bills returned only 3.7% a year for the period.

Understand that the performance for Morgan's index is total return, net of all expropriations and currency crises. No wonder that money managers like Pimco and Lazard are capitalizing on it.

The excess return tells you that the monetary authorities who preside over soft currencies pay for all their sins, and the rest of us get some. Why don't these nations simply dollarize their economies? Because, says Sharon Spiegel, a Columbia University economist who has studied the currency phenomenon, they see competitive devaluations as a useful tool in international trade.

Stiffing holders of currency is an expensive tool. The investor's excess return is somebody's loss—and the loser would have to be hardworking peasants in the Third World.

William Baldwin
EDITOR

N EXPRESSION OF YOUR WORTH HAT SPEAKS FOR ITSELF.



At NetJets®, we've created a fractional ownership program that places as high a value on your time, safety and financial security as you do. You can enjoy the peace of mind that comes from having the highest standards of safety and service in the industry and the financial backing of Berkshire Hathaway. With access to the world's largest and most diverse global fleet of private jets, you'll have the unmatched flexibility to fly wherever you want with as little as four hours' notice. Plus, with fractional shares, the Marquis Jet Card and a variety of purchase, finance and lease alternatives, you can choose how you want to invest in yourself. Talk to the leader in private aviation. You owe it to yourself to find out more.

1-877-356-0754 | www.netjets.com/fb4

NETJETS®
Leave nothing to chance™



CADILLACUNDER5.COM

ETIC ENGINEERING GONE HORRIBLY RIGHT Three cars. Each with an
num V8 producing 400 hp or more, StabiliTrak with four driver-selectable performance
g modes and a 0-60 time under five seconds. That's quite a family. **The Cadillac V-Series.**



BREAK  THROUGH

A year of OnStar on every Cadillac.*

STS-V available late 2005 and XLR-V available early 2006.

*Standard one-year OnStar service varies by model. Call 1 888 4ONSTAR (1 888 466 7827) or visit onstar.com for system limitations and details.
©2005 GM Corp. All rights reserved. Break Through™ Cadillac™ Cadillac badge™ OnStar™ V-Series™ V-Series logo™ StabiliTrak™ STS-V™ XLR-V™

President and Editor-in-Chief Steve Forbes
Chief Operating Officer Timothy C. Forbes
Chairman Caspar W. Weinberger
President and Publisher *Forbes Magazine Group* James S. Berrien
Vice Chairman Christopher Forbes
Group Vice President-Editorial James W. Michaels
Publisher *Forbes Magazine* Rich Karlgaard
President *Forbes FYI* Robert L. Forbes
Chairman *Forbes International* Brian Mulroney
Executive Vice President Electronic Publishing James Spanfeller
Executive Vice President Chief Financial Officer Sean P. Hegarty
Senior Vice President General Counsel and Secretary Terrence O'Connor
Senior Vice President General Manager Scott E. Masterson
Senior Vice President Corporate Communications Monie Begley Feurey
Vice President Treasurer Philip E. Reville
Vice President The Forbes Collections Margaret Kelly Trombly
Vice President Business Development Miguel Forbes
Controller Thomas J. Callahan
Director of General Services Gary Prasto
Director of Human Resources Margaret W. Loftus
Director of Knowledge Management Anne P. Mintz
Group Director of Production and Manufacturing Elaine Y. Fry
Group Director of Circulation Nina M. LaFrance
Director of Distribution Edward Conrad
Director of Protocol Cathi Culbertson
Director of Project Management Amy C. Berretta
Director of Consumer Marketing Carolyn Topak
Director of Consumer Business Jamie A. Fallon
Director of Information Technology Robert Cacace
Director of Information Systems Christopher A. Herring
Director of Corporate Communications Laurie Baker
Director of Internal Communications Diane Reeves
Vice President Associate Publisher Kevin Gentzel
Vice President Conference Group Kendall Crolus
Vice President Marketing Deborah Himmelfarb
Vice President Custom Solutions Edward Z. Hughes
Vice President New Business Partnerships Mike Woods
New York Jennifer Giampietro Cooke, Felix DiFilippo, Group Advertising Directors;
 Moira Forbes, Vicki King, Sherry Phillips,
 Diantha W. Redd, Hayley Romer, Frank W. Rosa
Atlanta John Reock
Boston Gary Manis, Mgr.
Chicago William J. Powers Jr., Mgr.; James W. Wall
Detroit Shauna Haras, Group Advertising Director;
 Christine Schultz
Los Angeles Jill S. Harris, Mgr.; Lisa K. Carden
Silicon Valley Frank Thom, Group Advertising Director;
 Chesley Bohac, Denyce Kehoe, Chris Litchfield
Washington, D.C. David Pinkerton, Jr., Group Advertising Director
Director of Economic Development Peter T. Malloy
Executive Director of Marketing Nancy Bensimon
Director of Research Linda Lawrence
Director of Merchandising and Events Karen Moroney
Creative Director of Design Center Susanne Preinfalk
Director of Media Strategies Andrea Sontz
Director of Corporate Integration Selden Blommer
Director of Special Sections Carol Nelson
Group Business Director Jeff Reilly
Marketing Director Lawrence Ganz
President and Publisher *Forbes Asia* William Adamopoulos
Tokyo Hiroyuki Nakagawa, Japan Director;
 Toshiaki Iizuka, Japan Advertising Sales Director
Hong Kong Pauline Seow, Eva Cairns, Regional Sales Directors
Singapore Joyce Lim, Serene Lee, Regional Sales Directors
Vice President Managing Director Europe Robert A. Crozier
London Juanita Caspari, Sam Davies, Regional Sales Directors/Europe
International Projects
Executive Director James W. LaCirignola
Forbes Newsletter Group
Vice President/Editor Matthew Schiffrin
Forbes Investors Advisory Institute
President Wallace Forbes;
Vice President Vahan Janjigian
Advertising Business
Manager Brandon Russell; Ivette Reyes

Blog Bashing

"Attack of the Blogs" (Nov. 14, p. 128) contains some curious legal advice. The writer admits that much, if not all, of the speech he finds unpleasant online doesn't rise to the level of defamation. Yet you urge individuals to make false legal claims in an attempt to censor unwanted speech. You suggest that one response to anonymous speech is to claim copyright infringement for snippets of text quoted from another copyrighted Web site. But using quotes for the purposes of criticism is a fair use, and making false copyright claims to ISPs is illegal under the Digital Millennium Copyright Act. You also suggest subpoenaing the host Internet service provider, demanding the blogger's name or Internet address. In California and several other states, issuing subpoenas designed to shut up unwanted speakers can result in an award of legal fees under anti-SLAPP laws. The advice to make a false claim of liability against an ISP is also ill-advised. Every major ISP knows the law: ISPs are not liable for defamation claims for speech that they merely host. It's unfortunate that an article meant to chastise those who speak irresponsibly was itself so irresponsible.

CINDY COHN

*Legal Director, Electronic Frontier Foundation
 San Francisco, Calif.*

The EFF, a digital rights advocate, provides free legal advice to bloggers. —ED.

Your cover story on blogs is a great service to readers. Unlike most online forums, access to the Chrysler Group's new blog, TheFirehouse.biz, is granted only to journalists and auto industry analysts. We consider it a safe haven for our executives and writers who cover our industry. Predictably, we were pilloried by the blogosphere for our closed-door policy. But as you point out, anyone who can type can now label themselves a journalist.

ED GARSTEN

*Editorial Director
 TheFirehouse.biz
 DaimlerChrysler
 Auburn Hills, Mich.*



Get Even—Live to 100

Concerning "A Kinder, Gentler Flat Tax" (On My Mind, Oct. 17, p. 42), Social Security was originally designed along the model of a trust fund. Therefore anything I put into it should be returned to me. Payments to today's Social Security trust fund are capped at a fixed level, yet payments going out appear to be capped much lower. I will

be 40 in less than a month and am getting close to reaching that cap. I've been paying into Social Security since 1984, during my years as a lifeguard and through my current work as a software developer. Do I expect I'll ever get back the money I've paid into the Social Security system? Nope.

TERRY STEYAERT

Harrison Township, Mich.

AN HERMÈS WATCH
HAS TIME ON ITS SIDE



Publicis EtNovus

MESSAGE WATCH

1-800-441-4488



Before.



After.

Recrafting. The return on a great investment.

Return your worn Allen-Edmonds shoes to their original glory with Allen-Edmonds Recrafting®. We use the same techniques when Recrafting your shoes that we used in their original construction. Simply mail us your worn Allen-Edmonds shoes. Visit www.allenedmonds.com to download a postage-paid mailing label. For more information on Recrafting, visit your nearest Allen-Edmonds dealer or call 1-877-495-5564.

**Allen
Edmonds®**
For All Walks of Life™

allenedmonds.com

Made in USA

Anything They Don't Do?

In his commentary critical of the MacArthur Fellows Program, "Stupid Genius Grants" (*Side Lines*, Sept. 5, p. 22), William Baldwin invokes Jonas Salk as an exemplar of the kind of person who should be named a MacArthur Fellow. In fact, as an early member of our board of directors, Dr. Salk played an important part in establishing the goals of the Fellows Program and was an eloquent proponent of providing support for creative individuals across the spectrum of creative activity.



While noting the absence of a magic-bullet cure for malaria, you may be heartened to note the accomplishments of MacArthur Fellows who are investigating the metabolic activity of malarial parasites and identifying the mechanism that bacteria use to penetrate the body's defenses. It is also true that MacArthur Fellows have sequenced the human genome, sat on the Federal Reserve board of governors, led efforts to foster open-source software development and, in the case of seven Fellows, won the Nobel Prize. Others reveal their creativity in less prominent ways: teaching children, crafting sculptures and buildings, preserving biodiversity and habitats, uncovering lost civilizations. We are pleased that Mr. Baldwin acknowledges that such things may also be worthy endeavors.

JONATHAN FANTON
President, John D. and Catherine T.
MacArthur Foundation
Chicago, Ill.

Hippocratic Hearing

Your suggestion in "Junking Judicial Malpractice" (*Fact and Comment*, Oct. 10, p. 33) that medical malpractice be handled in a special court is valid and extremely important. I have taught neuro-ophthalmology at Cornell Medical School for almost 40 years. When called as an expert in medical malpractice cases, I find myself trying to explain to a lay jury a complex anatomical feature that requires a two-hour lecture to medical students. These cases often depend on the jury's full comprehension. The legal system requires physicians to perform virtually error free. An experienced clinician with a 98% certainty of diagnosis must obtain thousands of dollars in tests to eliminate the last 2%. In court one error is made to look massive. There are virtually no areas of modern manufacturing, athletic or financial endeavor that are error free. The cost of expecting this from physicians is one of the things that will bring down the entire medical system.

PHILIP H. ZWEIFACH
Clinical Professor, Ophthalmology
Weill Cornell Medical College
New York, N.Y.

No Need to Thank Us

"Mount Forbes" (Nov. 14, p. 224) is yet another example of corporate branding seeping into public territory. We now bear the stamp of a financial magazine atop an ancient mountain purely for marketing reasons. What an inspiring gift to the future generations of Greenland. Perhaps we can look forward to the Coca-Cola River, Marlboro National Park and ExxonMobil presents the polar bear.

ALEX SCHNEIDER
New York, N.Y.

False Deduction

Our example in "Deadline for Donors" (Nov. 14, p. 111) of how the limits on deducting charitable gifts under the Katrina tax law work was incorrect. All three gifts described in our story would be deductible in 2005, wiping out your taxable income.

Forbes
Send e-mail to readers@forbes.com or visit www.forbes.com/letters. Letters will be edited. Please include address and phone number.

Itemize



Socialize



Accessorize



Whatever your style, whatever your size, Allen-Edmonds is the perfect fit. Our shoes are handcrafted in sizes 6-16 and widths AAA-EEE. When they finally show their wear, our Recrafting® process will have them looking new again. For a catalog and Allen-Edmonds dealer near you, call 1-800-235-2348.

Shoes from top to bottom: Birmingham, Saxon, Slayton

allenedmonds.com

Made in USA

Allen
Edmonds®
For All Walks of Life™



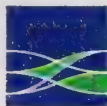
WHAT CAN AN
ICEBREAKER
TEACH US ABOUT
MAXIMIZING SHAREHOLDER VALUE?



You need someone in the lead who can power through any obstacle.

Wachovia's Corporate and Investment Bank works closely with thousands of growing companies. By providing innovative and practical solutions that help our clients succeed, we have proven our ability to lead deals and deliver results. We're the new, irresistible force in universal banking. Talk to us. We'll provide the horsepower to get you where you're going.

Over 275 new lead relationships established in 2004
120% growth in investment banking market share since 2001
Retail distribution capabilities of the 3rd largest brokerage firm
Balance sheet strength of the 4th largest financial institution

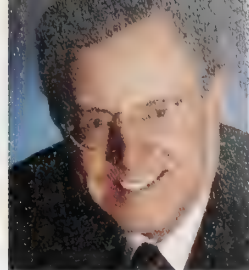


**WACHOVIA
SECURITIES**

Uncommon Wisdom

INVESTMENT BANKING • CORPORATE BANKING • EQUITY • FIXED INCOME

Wachovia Securities is the trade name for the investment and securities services of Wachovia Corporation and its subsidiaries, including Wachovia Capital Markets, LLC ("WCM"), member NYSE, NASD, SIPC.
© 2006 Wachovia Corporation



When Will We Get the Answers?

COUPLE OF QUESTIONS APPEAR TO REMAIN UNANSWERED from that two-year investigation triggered by the alleged leaking of the identity of a CIA agent. Was Ambassador Joseph Wilson under a nondisclosure contract when sent by the CIA—at the prompting of his wife—to check if Iraq was trying to obtain yellowcake uranium from Niger to make nuclear weapons? Somebody brought on board to carry out sensitive mission like that almost always signs a nondisclosure

agreement and is given clearance to handle classified information. Yet Wilson felt free to bombastically berate the Bush Administration over this. He actively aided John Kerry's presidential campaign. If Wilson hadn't signed a nondisclosure contract, why not? • Since Wilson's wife was working for the CIA, why did Wilson pursue such a high-profile campaign against the Bush Administration? Surely this diplomat had to know that such highly charged publicity would attract attention—and reaction.

He's Halfway There

COMING FED CHAIRMAN BEN BERNANKE MAY DO WHAT HIS predecessor wouldn't do for 18 years—establish transparent guidelines and targets for the conduct of monetary policy. Alan Greenspan has had a voracious appetite for economic statistics, but no one thing or collection of things has consistently guided him. He has been guided by the seat of his pants. What the Fed needs now is a pilot who can fly using reliable instruments instead of relying on his gut. Greenspan's gut has not been infallible. Ill-conceived comments made soon after he took his post in 1987 helped cause the biggest one-day stock market meltdown in history. Other mistakes he has contributed to the recessions of 1990–91 and 2000–01. In the late 1990s, for instance, Greenspan inadvertently tightened monetary policy, sending commodities into a tailspin. That collapse helped precipitate the terrible farm bill of 2002 and the Bush Administration's ill-advised foray into protectionism via steel import quotas. Monetary mistakes have political consequences.

More recently the maestro has been creating too much money. In four years the price of gold—the best barometer of monetary disturbance—has shot up almost 80%. One result is the energy bubble. Another is higher short-term interest rates. Greenspan has been giving us the worst of both worlds: a mounting cost of money and more inflation.

Bernanke appears to favor a more formal, less personal, less idiosyncratic approach. He has advocated adopting formal inflation targets. This is progress—of a sort. The problem, of course, in targeting inflation is in deciding which indexes and market indicators (such as inflation-adjusted Treasury bonds) to use. Which indexes tell us what happened in the past. Monetary errors don't show up in indexes for at least a year. Think of the proverbial ship and how long it takes for the vessel to change direction after the captain has made the decision to do so.

We will have to see whether Bernanke can make the intellec-

tual leap from inevitably flawed inflation indexes to using gold as his guide. Commodity markets, most particularly gold, will let Ben Bernanke know—in real time—whether he's gotten monetary policy right or wrong. If he does that right, he'll be our greatest central banker ever.

One thing he will discover: Setting interest rates is a clumsy, blunderbuss, hit-or-miss way to conduct monetary policy. Rates should be set by the market. The Fed should instead target a narrow range for the price of gold and then create or extinguish money to keep the price within that range.



Ex-Princeton prof Bernanke has much to learn—and unlearn—about monetary policy.

We will also see if Bernanke fully appreciates that the primary task of the Federal Reserve is to preserve and keep stable the intrinsic value of the dollar. The Fed cannot chart the course of the economy. It cannot *constructively* play a countercyclical role—for example, restricting money when times are good, pumping it out when conditions are bad. Trying to do so will only create mischief. In the real world such attempts retard long-term growth by destabilizing the economy. No one person, or group of people, can possibly outsmart or outmaneuver markets for long or fine-tune the activities or creativity of a national economy of nearly 300 million people—or a global economy of more than 6 billion.

Yet Bernanke seems to possess some Keynesian baggage, using such nomenclature as “aggregate demand,” “core inflation,” “potential output” and “output gap,” as though the economy were made up of interchangeable parts. Keynesians always overestimated the Soviet Union's GDP because their tools couldn't distinguish the value of overly costly steel from cheaper, lighter materials such as plastics—Soviet-made refrigerators weighed almost twice as much as their U.S. counterparts.

Like many of his brethren, Bernanke confuses price changes that result from supply-and-demand factors in a free market with those that result from debasing the currency. For instance, if doctors an-

nounced that eating 12 oranges a day would increase longevity and prevent strokes, heart attacks and all sorts of cancers, the price of oranges would soar until new groves were planted. That's not inflation; that's supply and demand. If the Fed prints too much money, the result is higher prices (or if companies can't raise prices, then a

shrinking of their profit margins). That's inflation, pure and simple.

Storms, droughts, economic growth and budget deficits do not cause inflation. Only excess money created by the Fed does. Does Bernanke truly understand this? His success—and that of the U.S. economy—depends on it.

Finally, a Refined Approach

AT LAST CONGRESS IS GETTING SERIOUS ABOUT LEGISLATING sensible energy policies. A ballyhooed bill passed last summer was mostly a grab bag of subsidies and giveaways, largely useless in addressing basic problems. But in October the House of Representatives approved another energy bill, one that actually would do more good than harm. The Senate should pass it promptly and send it to President Bush for signing.

The legislation would make it easier to build new refineries in the U.S. We haven't had a new one since 1976—due to killer environmental lawsuits and the cumbersome permit process, which takes an inordinate amount of time, thanks to endless red tape. Under this legislation the President would be able to designate certain federal lands, including closed military installations, as sites for new refineries. The Department of Energy could then coordinate and expedite all necessary authorizations. State governors could do the same for potential sites within their jurisdictions.

The number of so-called boutique fuels—special gasoline blends required in different parts of the country, which add immensely to gas prices because of higher refining costs and shipping restrictions—would be cut from 17 to 6. These distinct

fuels allegedly reduce pollution, but there is scant evidence they actually do so. Cutting back on their numbers will increase supply as well as ease the pressure on artificially high prices.

Another feature would allow a city or region to apply for an extension of clean-air requirements if it can demonstrate that downwind pollution from another area is to blame for the quality of its air.

The legislation has shortcomings, primarily one requiring the Federal Trade Commission to examine possible price-gouging of gasoline and diesel fuel sales. The ghost of Jimmy Carter as President still lives. But overall the legislation is a meaningful plus.

Congress, of course, must tackle other impediments to maximizing oil and gas production. The prime one would be ending the federal ban on drilling in 85% of the Outer Continental Shelf (excluding certain environmentally sensitive areas off the coasts of Florida and Alaska). The oil industry has made enormous strides in preventing spills. Tapping the OCS would substantially reduce our dependence on oil imports.

Another vital piece of unfinished energy business Congress must settle is permitting oil and gas exploration in a tiny segment of the immense Arctic National Wildlife Refuge.

Don't Republicans Remember Carter Lost to Reagan?

DID A MAD JIMMY CARTER DOG BITE BILL FRIST, Dennis Hastert and other GOP congressional leaders? How else to account for these conservatives blathering about oil industry “windfall profits” and “price-gouging”? To belabor the obvious, imposing extra energy taxes—as the Carter era amply demonstrated—will lead to less production and supply. If big oil is so powerful in manipulating prices, why are oil prices so volatile? How did they plunge to \$10 a barrel in the mid-1980s and again in the late 1990s? Even today big oil's profit margins woefully lag those



Cardigan sweaters were no substitute for Carter-era shortages in fuel.

of numerous other major companies, including Microsoft, Coca-Cola, McDonald's (should there be an excess profits tax for crunch times like breakfast and lunch?), Citigroup and on and on.

As the Tax Foundation has noted, the biggest energy profiteer is government. Since 1970, federal and state governments have collected \$1.34 trillion in gasoline taxes versus little more than \$600 billion in energy industry profits.

As for natural gas, prices are up because of energy policy stupidity, such as barring exploration and production in most of the gas-rich OCS.

RESTAURANTS: GO, CONSIDER, STOP

Edible enlightenment from our eatery expert Tom Jones and colleagues Patrick Cooke and Monie Begley, as well as brothers Bob, Kip and Tim.

- **Caviar & Banana**—12 East 22nd St. (Tel.: 212-353-0500). A funky Flatiron District newcomer whose Franco-Brazilian combinations work. From the complimentary “caviar” (tapioca in a spicy sauce served with banana chip strips) right through to the chocolate sweet-cigar dessert, everything is tasty and original. Particularly good are the various churrasco skewers and the tapas.
- **Sushi Ann**—38 East 51st St. (Tel.: 212-755-1780). This Midtown mecca offers some of the most delicious and beautifully

presented sushi and sashimi in the city. Boasting “Tokyo-trained” chefs, this spot is understandably popular with a Japanese clientele. Noteworthy: salmon caviar over grated Japanese radish.

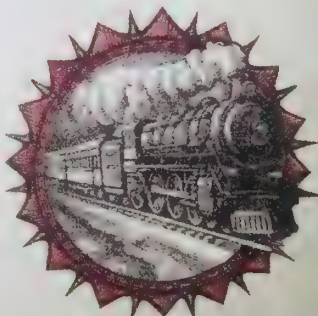
● **Restaurant 343**—343 East 85th St. (Tel.: 212-717-6200). Good, straightforward American fare. Favorites: the gazpacho and the roasted lemon-and-lime-infused chicken. Desserts are on the sweet side. Prices are reasonable: six people having cocktails, three bottles of wine and three courses for just a tad over \$400, pre tip. **F**

*In the 1930's, trains were the **QUICKEST** way to travel.
Of course, **NOTHING** could keep pace with news that*

THE GLENLIVET

*was the first **SINGLE MALT** to arrive in **AMERICA**.*

*The famed **PULLMAN** cars did
not run on **COAL** alone, they also
had the force of **THE GLENLIVET**
DRIVING them across the country.*



***FIRST-CLASS** passengers hurriedly
clambered **ABOARD** to taste the
FIRST stateside servings of the
SINGLE MALT that started it all.*

SINGLE MALT SCOTCH WHISKY

12



THE SINGLE MALT THAT STARTED IT ALL.

Other Comments

Many people have their principles all bad and their practice all good.

—C.E. MONTAGUE

Punking the Public Making the best of a weak hand, Democrats argued that the [Plamegate investigation] was not about petty-ante perjury but, as Senate Minority Leader Harry Reid put it, “about how the Bush White House manufactured and manipulated intelligence in order to bolster its case for the war in Iraq and to discredit anyone who dared to challenge the President.” The problem here is that the one undisputed liar in this whole sordid affair doesn’t work for the Administration. In his attempts to turn his wife into an antiwar martyr, Joseph C. Wilson IV has retailed more whoppers than Burger King. Pretty much all of the claims that the Administration doctored evidence about Iraq have been euthanized, not only by the Senate [intelligence] committee but also by the equally bipartisan Robb-Silberman commission.

So much for the lies that led to war. What we’re left with is the lies that led to the antiwar movement. Good thing for Wilson and his pals that deceiving the press and the public isn’t a crime.

—MAX BOOT, Council on Foreign Relations, *Los Angeles Times*

Far From Gone This is not the first time that the world has “run out of oil.” It’s more like the fifth. Cycles of shortage and surplus characterize the entire history of the oil industry. A common pattern in the shortage periods is to underestimate the impact of technology. “Proven reserves” are not necessarily a good guide to the future. The current SEC disclosure rules, which define “reserves” for investors, are based on 30-year-old technology and offer an incomplete picture of future potential. As skills improve, output from many producing regions will be much greater than anticipated. The share of “unconventional oil” will rise from 10% of total capacity in 1990 to 30% by 2010. The “unconventional” will cease being frontier and will instead become “conventional.”

The growing supply of energy should not lead us to underestimate the longer-term challenge of providing energy for a growing

world economy. But at least for the next several years, the growing production capacity will take the air out of the fear of imminent shortage. And that in turn will provide us the breathing space to address the investment needs and the full panoply of technologies and approaches—from development to conservation—that will be required to fuel a growing world economy, ensure energy security and meet the needs of what is becoming the global middle class.

—DANIEL YERGIN, chairman

Cambridge Energy Research Associates, *Washington Post*

At Its Best Science is simply common sense at its best, that is, rigidly accurate in observation, and merciless to fallacy in logic.

—THOMAS HENRY HUXLEY

A Game With No Rules Central banking is the last refuge of central planning—the notion that a group of experts can meet in secret and plan the economy from the top down. But this is a game played without any rules. We speak of the “art of central banking” as though it is akin to a magic show. So long as a central bank doesn’t mess up too badly, we tend to almost deify central bankers. When they do mess up, many then argue that we must have deserved the pain and suffering as penance for the good times. One well-known problem with this magic show is called “recognition lag,” and it often results in “overshooting”—pushing interest rates too high or too low for too long. To avoid lurching back and forth between brake and accelerator requires great caution and foresight. Rules would be better, but there are none. Monetary policy is a euphemism for whim and caprice.

—ALAN REYNOLDS, Cato Institute, *TownHall.com*

Righteously Wrong To paraphrase the ancient Greeks, it is easy to be moral in your sleep. Abstract ethics or soapbox lectures demanding superhuman perfection mean little without deeds. Amnesty International, Human Rights Watch and other global humanitarian groups recently expressed criticism over the slated trial of the mass murderer Saddam Hussein. Such self-appointed auditors of moral excellence were worried that his legal representation was inadequate. Or perhaps they felt the court of the new Iraqi democracy was not quite up to the standards of wigged European judges in The Hague. Relay those concerns to the nearly 1 million silent souls butchered by Saddam’s dictatorship. Once they waited in vain for any such international human rights organization to stop the murdering. None could or did.

—VICTOR DAVIS HANSON, Hoover Institution

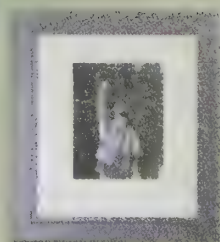
Honolulu Advertiser

Good for Something Aim above morality. Be not simply good; be good for something.

—HENRY DAVID THOREAU



“They’re generic nametags. We’re all from the ‘Women Trial Lawyers’ Association of Washtenaw County.’”



HD-70FH96

RESOLUTION THAT RIVALS REALITY

THE NEXT GENERATION OF HD IS HERE! Imagine reeling in the trophy fish - in your very own living room! The resolution of JVC's new Full 1080p HD-ILA 70-inch TV is so stunning; it's hard to distinguish fantasy from reality.

Featuring picture clarity that actually rivals reality, JVC's HD-ILA 70-inch TV incorporates true 1080p resolution and 3-Chip LCOS design. And, with its bright picture and high contrast, there's no doubt you'll feel as if you're a part of every scene. But don't take our word for it - see for yourself. One look at JVC's HD-ILA 70-inch TV, and you'll be hooked!

JVC

The Perfect Experience

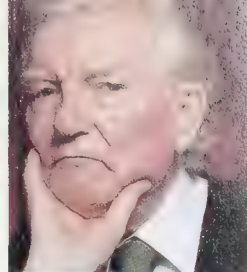
www.jvc.com

BVLGARI



DIAGONO PROFESSIONAL CHRONO TACHIMETRICO RATTRAPANTE

ASPEN • BAL HARRUA • BEVERLY HILLS • CHICAGO • HONOLULU • HOUSTON • LAS VEGAS • NASSAU
NEW YORK • PALM BEACH • ST. BARTHELEMY • SOUTH COAST PLAZA • SAN FRANCISCO • 1 800 BVLGARI



Prayer in the White House

PRESIDENT BUSH HAS RECENTLY STATED THAT HE PRAYED TO God for advice on his Iraq policy. Should an American President pray before taking important risks? Is a God-fearing and God-consulting President more desirable than an entirely secular one who is guided purely by expert advice and realpolitik?

As Sherlock Holmes would say, "These are deep waters, Watson." Most American Presidents have believed in God and prayed accordingly in moments of crisis. Abraham Lincoln, for instance, was not a regular Christian by most standards, but the record suggests that under the terrible weight of his responsibilities during the Civil War he acquired practical faith. He certainly believed he was guided: "I am satisfied that when the Almighty wants me to do or not to do a particular thing, he finds a way of letting me know it." He also said, "If it were not for my firm belief in an overriding Providence, it would be difficult for me, in the midst of such complications of affairs, to keep my reason in its seat. But I am confident that the Almighty has his plans and will work them out; and ... they will be the wisest and the best for us."

On the Right Side

Throughout the Civil War both sides claimed the Lord was on their side, and the confident statements by bishops and other religious leaders from the North and the South now make for a disturbing reading. But when Lincoln was asked if he thought God was on his side, he reversed the question. "I am not at all concerned about that," he replied, "for I know the Lord is always on the side of the right. But it is my constant anxiety and prayer that I and this nation should be on the Lord's side." That is the way a truly religious man—and a true statesman—should put it.

Another interesting case of presidential behavior occurred as a result of the Spanish-American War. With the signing of the Treaty of Paris on Dec. 10, 1898, Spain ceded Puerto Rico, Guam and the Philippines to the U.S. (receiving \$20 million in return). The acquisition of the Philippines—with its 7 million inhabitants, 85% of whom were Roman Catholics—placed or threatened to place the U.S. in the invidious position of running a colonial empire. President William McKinley, who on the whole favored keeping the Philippines (the Senate ratified the treaty by a narrow vote), resolved his dilemma by putting it into a religious context: "I am not ashamed to tell you, Gentlemen, that I went down on my knees and prayed Almighty God for light and guidance that one night. And one night later it came to me this way. ... There was nothing left for us to do but to take them all and to educate the Filipinos and

uplift and civilize ... them, and by God's grace do the very best we could by them, as our fellow men for whom Christ also died."

President Bush is a rather different case than was McKinley. He is a born-again Christian, who went through a personal crisis in early middle age and solved it by fervently embracing evangelical Christianity—with, it is believed, the advice and encouragement of the Reverend Billy Graham. As a result Bush is unusual, by presidential standards, in his attitude toward religion.

On Solid Ground

In December 1999, during a presidential debate among the Republican candidates, Mr. Bush was asked to name the philosopher who had most influenced him. This question is often put to leading politicians (as well as other celebrities), and it usually produces insincere, fatuous or confused replies. Many political figures tend to waffle, invent or even lie. "Plato and Aristotle" is one reply I've heard. "Socrates" is a common response. Among American philosophers Ralph Waldo Emerson and William James rank high. But all these names are given because they are safe, respectable and won't land a politician in hot water. George Bush, however, replied, "Christ. Because He changed my heart." He added a moment later, "When you accept Christ as the Savior, it changes your heart. It changes your life. And that's what happened to me."

Now this was a dangerous reply, because it could have alienated many who don't want the White House occupied by a Bible-thumping, evangelical Christian. But the reply also had the power to attract many others, for it marked Bush as a practicing churchgoer, as a man who, once in office, would stick to Christian values.

Bush's reply was obviously sincere, spontaneous and true. As for his praying to God before making key decisions, I think one has to place this practice in the context of his life. Whether one believes in God or not, and whether one likes Bush or not, there can be no doubt that his acquisition in midlife of a fervent faith has made him a better human being—one more suited to performing useful service to the community and to holding office. That being so, it is right and logical that President Bush should conform to the spirit of his new persona and consult the God to whom he owes so much before taking any momentous step.

I would rather have a leader who always prays than one who never prays. I would rather have a President who is a man of strong faith than one who is of no faith or a weak faith or one who has lost, repudiated or become ashamed of his faith—as, I think, would most other people. **F**

Paul Johnson, eminent British historian and author; **Lee Kuan Yew**, minister mentor of Singapore; and **Ernesto Zedillo**, director, Yale Center for the Study of Globalization, former president of Mexico; in addition to **Forbes** Chairman **Caspar W. Weinberger**, rotate in writing this column. To see past Current Events columns, visit our Web site at www.forbes.com/currentevents.

**We deliver something for your
network you thought was lost forever.
Control.**

It's time for you to take back your
network. And the 3Com TippingPoint
security solution is the way to do it.
But don't take our word for it. Take
the word of *SC Magazine*. They awarded
us Best Security Solution 2005.*
And if you think they've got good
things to say, go to our website and
hear from our customers.



security
VoIP
wireless
switching
routing
services

3com.com/AdvanceTheNetwork



Live Rich in College Towns

COLLEGE TOWNS ARE THE BEST BARGAIN IN U.S. REAL ESTATE—the ideal mix of low prices, culture, fun and high-tech growth. Were I some kind of REIT genius, I'd start a fund with properties in college towns: in Fayetteville, Gainesville, Knoxville, Starkville and dozens of other Diplomavilles. Were Steve Forbes to fire me tomorrow, I'd sell my inflated California house—once owned by a Stanford electrical engineering professor—and move to Madison, Missoula or Moscow (the one in Idaho) and buy a house for cash with my California funny money.

Were I fresh out of college, newly married or with young mouths to feed, I'd look hard at the Bozemans, Blacksburgs and Baton Rouges. Why attempt to raise a family in a small apartment in New York, Washington, D.C., Los Angeles or San Francisco? Try Ames, Athens or Austin.

If I were an entrepreneur hoping to rub technology and talent together to start a company, I'd do it in a college town. If I needed boatloads of venture capital, I might, of course, head for pricey Palo Alto or costly Cambridge. As Willie Sutton said, that's where the money is. But if I wanted to own my company, I'd found it in a cheaper community to keep my burn rate low. This could be done in Fort Collins, Columbia, Columbus or College Station.

Older companies will find college towns great places to expand and reinvigorate. The thriving area around Raleigh, N.C., known as the research triangle—so named because of the proximity of three major campuses: Duke, the University of North Carolina and North Carolina State—is home to a handful of startups gone big, such as SAS Institute and Red Hat. But the research triangle is mostly populated with divisions of IBM, Cisco, Ericsson and other bigfoots in search of talent and cheap real estate.

Math and Engineering Rule

Youth and technology will inherit the world. College towns are a likely place to find this potent combination. Now let's be truthful about this—and maybe even politically incorrect. Colleges that are big on research and engineering will be the stars of tomorrow. Those leafy little New England towns with four-year liberal arts colleges may be fine places in which to paint, write or retire, but it's unlikely they'll birth the next Google or Gilead Sciences. Maybe a Ben & Jerry's.

The real estate bet is good because college towns will grow faster than the U.S. population in the coming decades. The U.S. population is expected to grow about 1% a year between now and 2050, but towns and cities with large universities will grow at three times that rate. Cold, windy Fargo, N.D.—satirized by the Coen brothers in the eponymous movie—has spiked since 1990, even as the state's population has declined. But Fargo has North Dakota State University, a vendor of

young brains employed by a large Microsoft division and by newer outfits, such as Alien Technology, an RFID chip leader.

If Silicon Valley encompasses the greater Santa Clara Valley, then surely its animating energy is found at Stanford University in Palo Alto. The companies begun by Stanford students or employees include Hewlett-Packard, Sun, Cisco, Yahoo and Google. But success comes with a price. Today a three-bedroom house on a stamp-size lot in Palo Alto goes for \$2 million. This is why Silicon Valley has not added a net new job in five years, Google notwithstanding.

Because of these high metro-coastal house prices, heartland college towns are in a good position.

- Bozeman, Mont. is home to Montana State University. Indeed, the presence of MSU is the reason Greg Gianforte picked Bozeman as a place to launch RightNow Technologies in 1997. Bozeman is awash with smart young people, just what any software startup needs. Gianforte rejected in-state rival, Missoula, home to the University of Montana. The entrepreneur had little use for U. of M.'s assembly line of lawyers and English majors. He had less use for the antibusiness attitude that often attaches to those disciplines. Gianforte's reasoning worked. Talent-rich RightNow went public last year and boasts a \$90 million revenue run rate.

- Blacksburg, Va., tucked in a hilly, forested southwestern corner of the state, is home to Virginia Tech. It's not surprising that one of America's top tech incubators, Luna Technologies, chose to locate in Blacksburg. Luna does contract research and development, plumbing the possibilities in fields such as bomb detection and satellite oil exploration. Including Luna, Virginia Tech Corporate Research Center houses 121 high-tech startups.

- State College, Pa. is home to Penn State. It's also where you'll find an intriguing startup, Innodyn, that is attempting to shrink the size of gas turbine engines. If Innodyn succeeds, remote power sources and small-aircraft propulsion may never be the same.

- College Station is home to Texas A&M, which is among the top 25 in the National Science Foundation's ranking of top research universities. This puts the Aggies slightly behind MIT but ahead of Harvard and Yale. College Station is family friendly.

- Madison, Wis. is home to the University of Wisconsin and to 460 companies—394 of them high tech—with combined sales of \$5 billion per year. Employment in high tech is growing 4% to 5% a year in Madison.

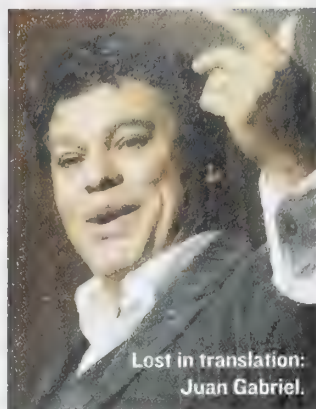
On a self-promotional note: My book, *Life 2.0*, just came out in paperback (Three Rivers Press; \$11.16 on Amazon). The book describes 150 places where you can live rich. Give it to your children.

F

Forbes
magazine

Visit Rich Karlgaard's home page at www.life2where.com or e-mail him at publisher@forbes.com.

He Thinks Americans Do?



Lost in translation:
Juan Gabriel.

Mexican pop singer/songwriter Juan Gabriel, whose 1971 hit, "No Tengo Dinero" ("I Have No Money"), fixed that problem, is onstage again in U.S. Tax Court. He's battling an Internal Revenue Service claim he owes \$3.4 million in taxes and penalties for underreporting \$5.7 million from 2001 and 2002. Suing as Alberto Aguilera, his given name, Gabriel says the disputed

amount was either a nontaxable advance from his U.S. manager for future work or income from non-U.S. sources. In 2002 he litigated a \$5.4 million tax bill from the mid-1990s, settling for what looks like less than \$2 million. His new lawsuit calls him "a Mexican citizen who neither speaks nor understands English nor the laws or tax system of the United States." —Janet Novack

Throwing the Booklet at the IRS

A report by the Treasury Department's inspector general for tax administration says the IRS wrongly told 11,000 individual taxpayers they had incorrectly calculated penalties for underpayment of their estimated taxes in 2003 and 2004. The problem: Form 1040 itself tells filers to subtract the penalty from line 75, whereas the separately printed instructions—used to program IRS computers sending out those dreaded notices—says include the sum. Agency officials are resisting making wording changes to the 1040 although, the report deadpans, "Most taxpayers would not refer to the instruction booklet to figure out how to subtract one line from another." —J.N. and William P. Barrett

Similar to Performance of the Stock

As Time Warner boss, Richard Parsons is one of corporate America's highest-ranking black men. But the media conglomerate, whose fiefdoms include Turner Broadcasting, Warner Bros., Time, AOL and HBO, has hit a roadblock in efforts to further diversify its executive ranks with women and racial minorities.

Cynthia Augustine, whom Parsons hired away barely a year ago from the New York Times Co. for that very purpose, just abruptly quit her post as senior vice president for talent management. No comment from Time Warner or Augustine, who insiders said clashed with another senior executive. "In a decentralized place" like Time Warner, she wrote in a parting memo to her staff, it was challenging to positively influence hiring decisions from her corporate perch.

—Brett Pulley

Your Kilowatts at Work

Last month the U.S. Environmental Protection Agency launched its "Change a Light, Change the World" campaign with an event at the Ronald Reagan Building and International Trade Center in Washington. A "note to photographers and camera crews" issued by the EPA said the energy-conservation kickoff, featuring Administrator Stephen L. Johnson, would include "a display of 100 traditional incandescent light fixtures and 100 equivalent-lumen Energy Star light fixtures" plus "a plasma screen that is hooked up to a watt meter" and "wild sound." —J.N. and W.P.B.

Watch for Foot Faults—and Footnotes

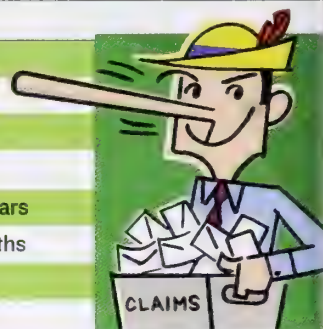
In a recent *Financial Analysts Journal* essay about profiting from market anomalies, Martin L. Leibowitz, a Morgan Stanley managing director, likens great investors such as Forbes 400 member Warren E. Buffett to tennis champions. "They play a disciplined game until the moment they see what looks like a grand opportunity," Leibowitz writes. "At that moment they move into *carpe diem* mode, gather up their prowess and take a calculated risk to proactively and aggressively force a win." However, a footnote appended to the end of this very sentence states, "I do not wish to suggest that everyone can be a winner. Indeed they cannot."

—W.P.B.

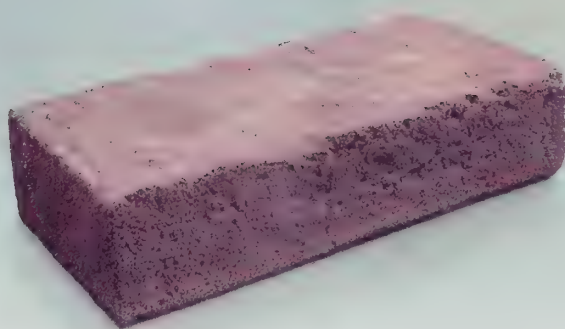
Who's Working for Whom?

These recent criminal cases around the country involving insurance adjusters do not exactly augur well for the cleanup process from the many hurricanes across the South this year. —W.P.B.

ADJUSTER/LOCATION	ALLEGATIONS INCLUDE	STATUS
Edward Colon/Trenton, N.J.	cheating insurers with false claims	sentenced to 6 years
William Kurczodyna/Chicago, Ill.	pushing \$1 million in phony auto damages	pleaded not guilty
Mitchell Markowitz/Brooklyn, N.Y.	helping to overvalue losses	fined \$10,000
Neil Roeder/Boca Raton, Fla.	taking \$20,000 to exaggerate damages	probation for 2 years
Nancy L. Romano/Jackson, Mich.	embezzling \$1.5 million from AAA Michigan	sentenced to 5-14 years
John C. Roney/Glen Falls, N.Y.	making up victims of real car accidents	sentenced to 13 months
Marc Rcssi/Hamilton, N.J.	torching two homes, two firms and a barn	sentenced to 8 years
Linda Wiser/Glendale, Calif.	issuing payments for bogus claims	sentenced to 2 years



skyscraper



Making more possible



ABN·AMRO

By David Gelernter, PROFESSOR OF COMPUTER SCIENCE AT YALE AND SENIOR FELLOW AT THE SHALEM CENTER, JERUSALEM.

Who Needs A College Campus?

A new free market in higher education will turn the academy on its head.

SOFTWARE AND THE INTERNET CAN ALREADY DELIVER A course in chemistry or Christianity, Shakespeare or videogame design to your home computer. Soon someone will standardize the software and the structure of college-level courses delivered electronically. When that happens, the world of online teaching will blow wide open. The wide-ranging choices, the convenience and the cost savings will make the difference. The result will be a true free market in higher education that will turn the world of colleges and universities upside down.

What will standard courseware look like? Here's one possibility: A course resembles a comic strip where each panel is a screen image. At first the image is static; click a button and it comes to life with audio and video. (A photo or map is explained, a computer-drawn scene is animated, a talking head talks.) A whole course might be a series of several hundred panels. You can fold up a series of related panels into a single summary panel—fold up the eight screens devoted to the battle of Gettysburg, say, and get a single "Gettysburg" summary screen. Fold up Gettysburg and all adjacent summary screens into a "Civil War" summary. That plus another 15 or 20 summaries yield a single screen called "History of the U.S." You can unfold some topics and leave others summarized.

The first course offerings will no doubt be the work of celebrity intellectuals such as Donald Kagan or Michael Novak. Some of these big names have already made courses on video or audio tape. Many electronic degrees are already for sale. But the big change will happen when all teachers and scholars have direct access to the market. Educational entrepreneurs will patch courses together from many contributors. People who have something to teach are a much bigger group than holders of advanced degrees: Vietnam veterans, for instance. Or journalists, garden designers, big-city cops. A free market will liberate all sorts of neglected educational assets.

Students will be guided by serious course reviews just as

readers are guided by book reviews. Guides to electronic courseware will flourish. Inevitably we'll get the Princeton Guide, the Oxford Guide, the Forbes Guide.

Once you've bought a course, you can keep it and replay or review it when you like. Computerized courses must let students ask questions and have their work evaluated by e-mail. They should also allow students to interact with their peers.

If you're already enrolled at State U., you can enrich your education with electronic offerings from other colleges. Or

maybe you don't want to enroll at any college. A thriving electronic course market will encourage the rise of degree-granting organizations independent of universities. They'll inspect a student's credentials, administer thorough tests and issue (or refuse) a new style B.A., something like a driver's license. Organizations that issue credentials will set their standards high if they want their credentials to be worth money in the employment marketplace.

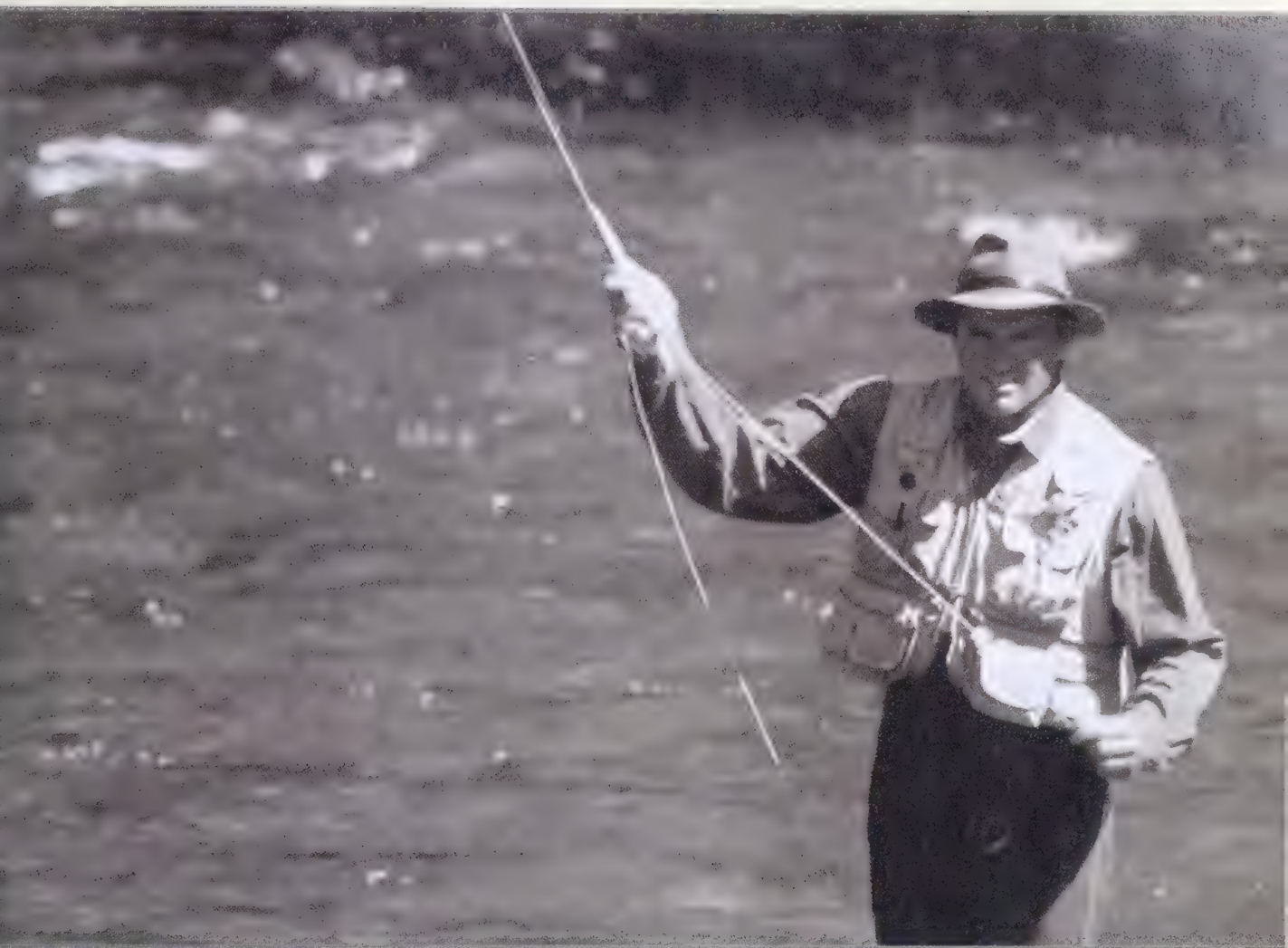
Computerized courses will never be as good as small seminars with first-rate teachers. But they might be better than big lectures with mediocre teachers. And they will usually be a lot cheaper. Students who steer clear of conventional universities will miss all the intangible goodness of college life. But maybe they can't afford all that intangible goodness.

The world's top universities will exist forever. They sell tradition and mystique, which are always in demand. But outside the top tier, more and more students will discover that electronic courses offer education with less fun, less atmosphere, less political nonsense—and a lot more choice and less cost. Good teachers will be liberated to peddle knowledge around the world. Top scholars with international reputations may discover, to their astonishment, that they can earn nearly as much as their dentists. Students will be liberated to buy education from suppliers all over the globe. The Internet has created many markets where none existed before. Higher education might be the biggest, most culture-transforming new market of them all.



"A thriving electronic-course market will encourage the rise of degree-granting organizations independent of universities."

MONEY MANAGEMENT IS WHAT WE DO.*



*** The rest of life's journey is all yours.**

You've amassed a tidy sum. A small fortune, some would say. Others might call it substantial. The point is, now that you've earned your financial independence, what will you do with it? As a Lehman Brothers company, Neuberger Berman believes it's our job to keep watch over your nest egg, while you determine how best to spend it. For over 60 years, we've focused on money management, uncovering investment opportunities that are right for you. In short, we can help you realize your financial goals, and whatever dreams they inspire. Whether you have \$1 million or \$100 million to invest in a customized portfolio, call us at 877.232.4859, or visit us at www.nb.com.

MONEY MANAGEMENT IS WHAT WE DO.

NEUBERGER BERMAN

A Lehman Brothers Company



With Sybase® software, BNSF Railway Company developed a mobile application that enables remote workers to document railway maintenance and:

- ☒ **Cuts data entry time by approximately 50 percent,**
increasing productivity across North America
- ☒ **Provides more accurate and timely data** so track repairs
and upgrades are completed on schedule
- ☒ **Delivers software and database updates automatically**
without affecting the performance of users in the field

For most organizations, maintaining 32,500 miles of rail lines would be a colossal headache. But for BNSF Railway Company, it has become a competitive advantage. Because they have an information edge that comes from Sybase SQL Anywhere® and Adaptive Server® Anywhere software. Now, BNSF remote workers can input data on location (vs. waiting until the end of the day). Headquarters has more visibility into the field. And maintenance decisions are made more proactively. Just a few reasons why more and more global companies are using Sybase every day to keep their business on track. www.sybase.com/infoedge36

OCTOBER 10, 2005

How Much Is Donald Worth?

Last month we published our annual rankings of the 400 richest people in America. Donald Trump came in 83rd with a net worth of \$2.7 billion. Necessarily this number involved some guesswork about real estate values, but it was designed, as is our practice, to err on the low side. Trump protested that he is worth \$3.6 billion. He has been raising similar objections to our valuations for most of the time the FORBES rich list has been around.

Close on the heels of this special issue, the *New York Times* published a book excerpt ridiculing our number as too high. The book, by *Times* reporter Timothy L. O'Brien, hit store shelves October 26. The excerpt insinuates that FORBES is naive, if not doing a quid pro quo: "Donald and The Forbes 400 were mutually reinforcing." As Donald gets more mentions in the press, O'Brien's logic goes, FORBES gets more citations as the definitive word on Trump's wealth.

After taking whacks at two decades of FORBES' net worth estimates for Trump, the *Times* article settles on vague stabs by three unnamed "people with direct knowledge" who claim they were once privy to Trump's ledger. Their guess: \$250 million, tops. How can this be? Isn't Trump's stake in his public casino company worth \$220 million all by itself?

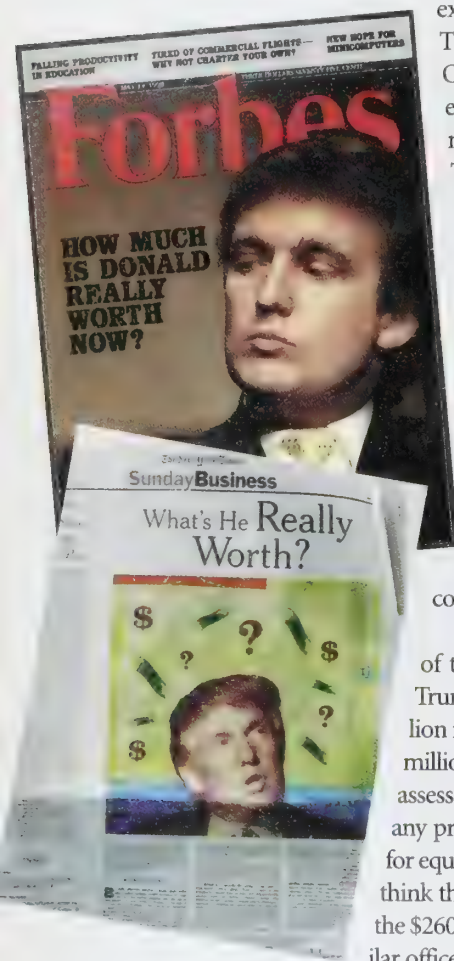
One of several factoids offered in support of the lowball number is the suggestion that Trump's office tower at 40 Wall Street is \$55 million in the hole. The building's mortgage is \$145 million, notes the *Times*, and New York City's tax assessor values the property at \$90 million. But any property broker in New York would be fired for equating tax assessments with market value. We think the building is worth \$310 million, based on the \$260 per square foot that a buyer paid for a similar office tower at 195 Broadway earlier this year.

Then there is the *Times*' claim that Trump "did not retain any ownership" of a residential development on Manhattan's West Side because "the owners merely promised to give him about 30% of the profits." Having a claim on profits is ownership. The West Side project's recent sale valued Trump's 30% interest at more than \$500 million.

Is FORBES naive? The *Times* excerpt conveniently forgets to mention our 1990 cover story that broke the news of Trump's impending financial crisis, "How Much Is Donald Really Worth Now?" though it is in O'Brien's book. But O'Brien still accuses FORBES of "carrying water" for Trump. Says O'Brien, "The point is he's Mr. Elastic Man, and the media has routinely bought into it."

We've taken another look at Trump's real estate and other assets, including the brand value of his name. The \$2.7 billion remains, we believe, conservative.

—Stephane Fitch



FLASHBACKS

85 YEARS AGO IN FORBES | NOVEMBER 27, 1920

To Give Is Better

Rich men are finding today more than ever before that enormous wealth does not bring happiness and that the best way to get fun out of money is to use it freely for unselfish purposes. The possession of millions is no longer a distinction. Indeed, unless the possessor of millions uses part of them for worthy objects, his wealth excites something very different from admiration. The Vanderbilts are steadily falling into public disfavor because of the extremely selfish distribution they make of their fortunes, their rule being to keep everything in the family from generation to generation. The results have been as was expected. Only one of the younger generation of Vanderbilts amounts to shucks.

20 YEARS AGO IN FORBES | JULY 1, 1985

Piece of the Apple

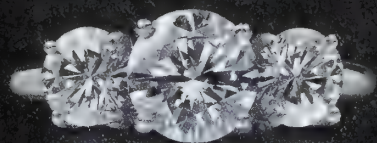
If there is any good news from the computer industry lately, we haven't heard it. Apple, which reached a high of 63 in 1983, has recently been trading at 17. Rumors are already around that Apple might look kindly on a big suitor, especially if the suitor took a large but minority position and left the culture intact. AT&T is the beau most often mentioned, but one can imagine a Xerox or a Wang looking twice at Apple. An Apple board member says Apple is not interested in selling out.

15 YEARS AGO IN FORBES | NOVEMBER 26, 1990

Greenspan's Greenbacks

Federal Reserve Chairman Alan Greenspan and a half-dozen other top central bankers should quickly come up with steps to stem a possible financial panic. U.S. bank assets, primarily real estate, are visibly deflating and so are bank stocks. Even equities of sound institutions have seen values shrivel by more than 60% in recent months. Doubt about the integrity of the greenback was one of the key factors triggering the 1987 worldwide stock market crash. Greenspan and his cohorts should get together and jointly announce that they are easing credit and letting interest rates come down a notch or two and that they will react swiftly to contain any financial fallout from a failed institution.





THIS ANNIVERSARY,
THE TWO
MOST IMPORTANT WORDS
YOU'VE EVER SAID
BECOME THREE.
"I FOREVER DO."



A DIAMOND IS FOREVER
DIAMOND TRADING COMPANY

LAW AND BUSINESS

Careful What You Ask For

Conservatives John Roberts and Samuel Alito may not steer the Supreme Court exactly where business wants it to go | By Daniel Fisher and Peter Lattman

THE BUSINESS COMMUNITY cheered the nomination of Samuel Alito to the U.S. Supreme Court. Along with new Chief Justice John Roberts, the conservative Alito would help guide the court to more pro-business decisions—at least that's how the consensus view went.

If it were only that neat. A conservative ideology by no means assures a pro-business view on the big cases. Sure, conservative judges can be expected to swat away cases that attempt to uncover novel theories of liability, for instance. But Alito and Roberts may be less inclined to support big business when that means departing from core conservative values, such as preserving the powers of the states against the federal government and giving deference to the decisions of regulatory agencies.

Here's a look at five areas of the law important to business:

PUNITIVE DAMAGES: Business has long railed against the unfairness of outsize punitive damage awards. Yet conservative justices like Antonin Scalia and Clarence Thomas have refused to go along with rulings that set caps on punitive damages. They

are strict constructionists, and they can't find the phrase "protection from excessive punitive damages" anywhere in the Constitution. Retiring Justice Sandra Day O'Connor was, on the other hand, the best ally of corporations, supplying key votes on two decisions that set caps on punitive damage awards. In one of them, the 2003 decision on *State Farm v. Campbell*, the court set aside \$145 million in punitive damages on \$1 million in actual damages, saying "single-digit multipliers are more likely to comport with due process." That still leaves plenty of wiggle room for Alito and Roberts to join Scalia, Thomas and liberal Ruth Bader Ginsburg in opposing further caps. Carter Phillips, a Washington lawyer who has faced off against Roberts and is a friend of Alito's, concedes he can't divine how they might vote on punitive damages. "That's the \$64 billion question," he says.

STATES' RIGHTS: The Rehnquist court's great legacy was limiting the power of the federal government and returning it to the states. Most commentators expect Roberts and Alito to join conservatives in following that course. But do corporations necessarily want that? If you're in the business of

selling the same products nationwide, or eluding the clutches of a bulldog state prosecutor like New York Attorney General Eliot Spitzer, you probably want states to keep their hands off. Big business, for instance, is supporting Merrill Lynch in its Supreme Court appeal, scheduled to be heard in January, of a decision that allowed a state class action to proceed despite a federal securities law that appears to preempt it. "You can believe all you want about states' rights, but when states run amok on national corporations, that is a very difficult position for a conservative to sustain," says Richard Epstein, a professor at the University of Chicago Law School known for his free-market approach to the law.

FEDERAL REGULATIONS: Conservatives detest regulations, but they detest judicial second-guessing more. Scalia and Thomas have sided repeatedly with the Equal Employment Opportunity Commission against employers, for example, out of a philosophical aversion to interfering with government decisions. Scalia cast the deciding vote in a case earlier this year holding the city of Jackson, Miss. to stricter standards in age-discrimination suits.

Roberts has sided with regulators and the executive branch on many occasions, yet he filed a dissent in a 2003 case, when he was judge on the D.C. Circuit Court of Appeals, that challenged the authority of the Department of the Interior in the horned toad case. And Alito, in a controversial 1996



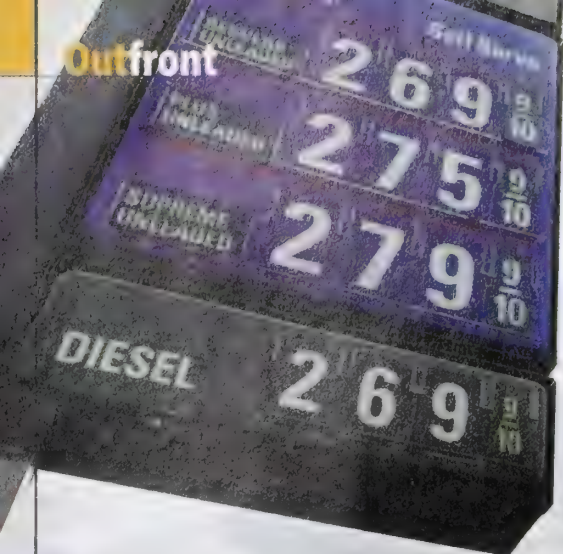
...us the dress, how the Court might
...k if Alito is confirmed to succeed
...nira Day O'Connor.

...sent, argued that Congress didn't have
...e authority to ban machine guns, saying it
...dn't amount to interstate commerce
...der the Constitution's Commerce Clause.
WHITE-COLLAR CRIME: Conservative law-
...d-order-types sometimes have misgiv-
...gs about prison sentences meted out in
...ite-collar cases (such as the 24 years for
...mie Olis, the Dynegy accountant who
...dged the accounting for a complex
...rivative). "In many cases you find Scalia

and Thomas on the side of white-collar
...defendants, as opposed to in drug cases,"
...says Ellen Podgor, a professor at Georgia
...State University College of Law. But Alito's
...more of a wild card: As a former federal
...prosecutor in New Jersey, he might be
...more sympathetic toward sentencing
...requests from his former colleagues.

ANTITRUST: If there is an area where con-
...servative philosophy aligns with business
...needs, it is antitrust. Conservatives distrust

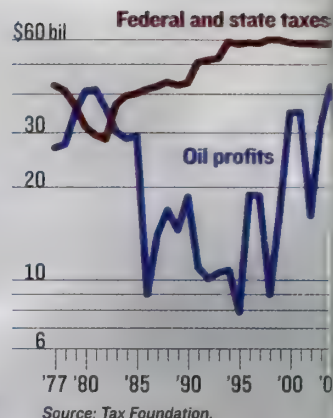
antitrust enforcement because it represents
...government interference in business. One
...big case looming before the court: a Ninth
...Circuit decision finding antitrust problems
...with a refining joint venture of Texaco and
...Shell, even though the Federal Trade Com-
...mission failed to find any anticompetitive
...effect. Roberts, who represented business
...clients throughout the 1990s at the Wash-
...ington law firm of Hogan & Hartson, is
...likely to agree with the FTC. **F**



WHO'S GOUGING?

All the talk on Capitol Hill about oil-company profiteering has obscured the fact that the government (state and federal combined) rakes in more in taxes on gasoline than oil companies do in profits. So why is Congress taunting oil firms with a possible "windfall profits" tax? Maybe because high gas prices depress gallon volumes, which lowers the tax take, which leaves politicians a bit revenue hungry. Can't have *that* happen.

—Matthew Swibel



COMPUTERS

Acer Who?

Dell, once the low-cost interloper among slow-moving giants, is now looking like a big fat target itself | By Deborah Orr

DELL HAS BESTED MANY COMPETITORS with its PC price wars and made-to-order machines since Michael Dell started selling computers from his college dorm room 21 years ago. But now the Round Rock, Tex. firm, which issued a sales and profit warning in October, has a name from the past nipping at its heels: Acer, the Taiwanese computer maker that pulled out of the U.S. retail market in 1999.

Acer laptops are back on the shelves at Circuit City and CompUSA, putting the company on course to double its computer sales in the U.S. this year to better than \$1 billion. Dell's shipments are growing roughly in line with the market (up 17.6% in the September quarter from a year ago). Acer's shares have jumped 51% so far this year. Dell's are down 30%.

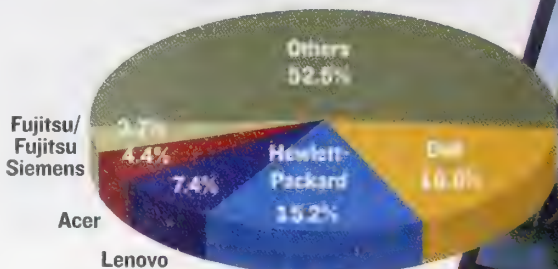
Acer, after overtaking Fujitsu Siemens a year ago, is now the fourth-biggest seller of PCs worldwide,

according to market research group Gartner. By 2008 Chief Executive J.T. Wang wants to overtake Lenovo, the Chinese company that bought IBM's PC business, and make a profit doing it. That would mark a stunning turnaround for a company that nearly destroyed itself less than a decade ago.

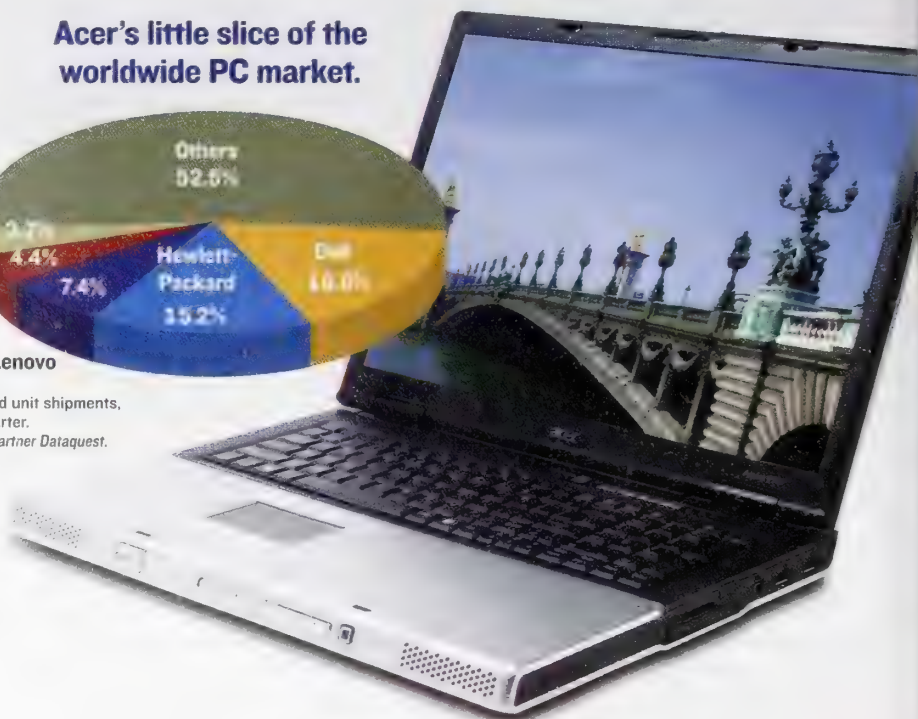
Acer once assembled computers for big names such as IBM and Hewlett-Packard and for its own label. After a series of bad investments in everything from semiconductors to a company making Unix-flavored computers, Acer was bleeding red ink in the U.S. Over the last five years Wang, with founder Stan Shih, has closed down, sold or spun off its consumer electronics, contract manufacturing and almost every other business except marketing and distributing its branded PCs and notebooks.

Acer made one good investment in 1997, when it bought Texas Instruments laptop computer business. Half of the

Acer's little slice of the worldwide PC market.



Estimated unit shipments, third quarter.
Source: Gartner Dataquest.



Who is helping doctors see the heart with amazing clarity?

We are. We're Siemens, a global innovation community helping the needs of businesses and communities right here in the US. We are leading physicians to more advanced diagnoses of heart disease by pioneering 64-slice computed tomography (CT) with the SOMATOM Sensation[®] 64, the world's first CT scanner able to take 192 images of the heart per second. This non-invasive, virtually pain-free procedure offers exceptional image quality, which can mean better physician diagnosis, faster recovery time, and increased patient comfort and convenience. But unless you're one of the 70,000 Americans that we currently employ, you may not know it. We're Siemens.

To get more clarity on Siemens Cardiac CT solutions, visit www.usa.siemens.com/heartview

SIEMENS

Global network of innovation



company's \$7 billion in worldwide revenues last year came from laptops. The acquisition brought another good thing: Gianfranco Lanci, who ran Texas Instruments' Italian business. He was put in charge of Acer Europe in 2000, and now Acer is the top-selling laptop brand in Italy, Germany and Spain. This year the board made him president, the first non-Asian to hold such a high position at one of Taiwan's technology icons.

For his next act Lanci wants to follow the European playbook in the U.S. Two years ago he asked Rudi Schmidleithner, who has worked with Lanci

"It's a myth that Dell is a low-cost producer."

since his Texas Instruments days, to take charge at Acer's Silicon Valley office. Schmidleithner started by teaming up with distributors that target small businesses and putting all the firm's energy into pushing laptops, the fastest-growing computer market. The next step is to boost Acer's desktop computer and monitor business in the U.S.

Acer still looks like little more than an annoyance to its big U.S. competitors. One in every three laptops sold in the U.S. is a Dell, points out Gartner analyst Charles Smulders. HP sells one in five. Acer is a distant seventh, with 3.6% of the laptop market. Schmidleithner aims to push that fraction to 8% by 2007, which would mean overtaking Apple and Gateway.

Acer is beating Dell at its own game—price. "It's a myth that Dell is a low-cost producer," says Schmidleithner. Dell's overhead costs are 9%, Acer's 7.7%. And in the U.S., Schmidleithner says, Acer's overhead costs are less than 4%. "We are not worried about them," he insists. An Acer laptop with a 15.4-inch screen, 512 megs of memory, a 60-gig hard drive and a DVD drive with a CD recorder runs \$700 (after a \$200 rebate). A comparable Dell Inspiron would be \$1,266.

The nice thing about being the underdog is that you can tell yourself you have nowhere to go but up. **F**

Q & A

Get This Man a Pension

WHEN THE FEDERAL RESERVE PUTS OUT A REPORT SAYING THE LEADER OF a financial institution must feel like the captain of the *Titanic*, you know he has his hands full. That leader is **BRADLEY BELT**, executive director since April 2004 of the Pension Benefit Guaranty Corp., a federal outfit that insures 31,200 private-sector pension plans with 44 million workers and retirees.

Belt, a 47-year-old former Senate staffer, is overseeing a program that has gone from a \$10 billion surplus five years ago to a \$23 billion deficit, as companies like United Airlines have dumped poorly funded plans in its lap. With the deficit expected to top \$70 billion within a decade, Belt wants legislation to raise corporate premiums by 60% (troubled firms would face the biggest premium hikes) and require more disclosure of pension plan liabilities. He faces fierce opposition from both unions and business. He spoke to *FORBES*' Neil Weinberg

Headlines say the entire private pension system is collapsing. Is it?

Absolutely not. The vast majority of companies that sponsor pension plans are reasonably healthy financially and are likely to be able to make good on the promises they've made to their workers.

Corporations have gone from \$50 billion in unfunded pension liabilities to \$450 billion in five years. What happened?

To some extent it's companies promising more benefits and not contributing cash resources to match them. It's also marketplace dynamics—entirely predictable. If you have both falling asset prices and falling interest rates, which increase the net present value of the liabilities, the funding gap can widen very substantially.

Is the PBGC insolvent?

We're not facing a liquidity crisis. That's in contrast to the savings and loan situation 20 years ago, although there are a number of eerie similarities. We have north of \$50 billion in assets and can pay benefits for a number of years. But without legal changes that we'll run dry at some point.

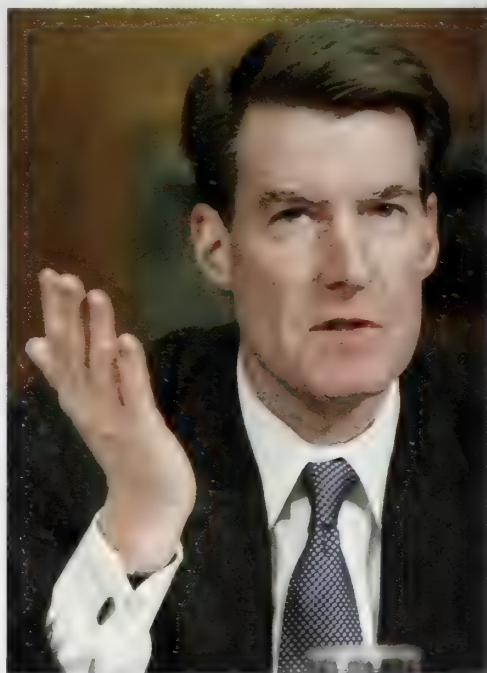
Won't the crackdown just push companies to drop their pension plans?

That notion needs to be taken with a grain of salt. If a company's defined benefit plan is governed by a collective bargaining agreement, it doesn't have the unilateral right to

change the terms or terminate it. And if everybody wanted to exit, they'd have to come up with \$450 billion to do it.

Why has the number of traditional pension plans fallen by three-quarters over the past 20 years to 31,000?

Some actions Congress has taken have been inconsistent with promoting these plans over alternatives like 401(k)s. You can argue that has pulled the rug out from under [traditional] defined benefit plans. The whole idea of the administration's proposal is to stop the hemorrhaging. Without changes in law, I do not see any reason the trend will stop or reverse. **F**



As I See It, #5 in a photographic series by Sacha Waldman.

A Verity™ kitchen sink with the Vibrant® Stainless Forté® pullout faucet. Something to talk about.

1-800-4-KOHLER, ext. SXY
kohler.com/verity



THE BOLD LOOK
OF **KOHLER**

Who's Minding the Chickens?

Could hysteria over avian flu wipe out the poultry industry?

By Matthew Herper

THE DREADED H5N1 STRAIN OF BIRD flu has so far killed 63 people and 150 million chickens. Public health workers in Asia, Russia and eastern Europe continue to cull flocks. They're not taking any chances in Vietnam, where H5N1 has infected 70% of ducks in the Mekong Delta. The country's Kentucky Fried Chickens switched briefly to serving fish.

Should U.S. chicken processors like Tyson and Perdue be worried? Will an epidemic end the \$25 billion U.S. chicken sector? No.

You can't get bird flu from eating an infected chicken; it's more a matter of getting chicken-plucker-close to a sick bird. And most American chickens have never been exposed to any kind of

flu and aren't usually vaccinated for it, says Carol Cardona, a veterinarian at UC, Davis. The big producers use controversial but efficient broiler sheds, enormous houses packed with as many as 30,000 birds. The sheds could be vulnerable to bio-Armageddon.

Last year a Texas flock was destroyed because it had come down with a deadly strain of bird flu. There have been outbreaks of less virulent strains throughout the U.S. But, says Cardona, most industrialized poultry farms are protected by security systems that would put Fort Knox to shame. Workers are screened to make sure they don't come into contact with other birds, and sometimes must shower and change be-

fore heading into the coops.

At greater risk are free-range chickens, a staple of chains such as Wild Oats and Whole Foods. These birds roam as they please, potentially into the trajectory of droppings of infected birds passing overhead. Cardona says the birds should be brought inside or at least protected with a covering.

An even scarier thought: What if the avian flu were to reach the chickens that are used to make influenza vaccine? All flu shots sold in the U.S. are made from eggs. The layers are even more tightly watched than those involved in food production. But Wayne Pisano, a senior vice president at Sanofi Pasteur, the leading supplier of influenza vaccine to the U.S., admits this darkly ironic scenario is possible. "If an avian virus were to knock out flocks, you don't have eggs for the vaccine," he says.

Sanofi and others are working on vaccine production techniques using cells cultured from dogs, monkeys or humans. It could be cheaper and more reliable than inside-egg production. Forty percent of President Bush's proposed appropriation of \$7.1 billion for flu preparedness would go for such vaccine research. But results are a decade away. In the meantime we must watch the chickens before they hatch. **F**



TURNAROUND

Rolling, Rolling, Rolling

Goodyear has been turning out restructuring plans almost as fast as new tires over the past few years. The latest one is actually working.

By Jonathan Fahey

GOODYEAR TIRE & RUBBER HAS A KNACK FOR PRODUCING surprises—both bad and good. Three years ago, when competitor Firestone was still hobbled by a safety scandal and car sales were setting records, Goodyear should have been coining money, but it looked like it was headed toward bankruptcy. Now, in the face of high oil prices and a softening car market, Goodyear is setting sales records.

Earnings have improved for eight quarters in a row, and the company's \$5 billion in sales in the third quarter was an alltime high. Its stock, which sank below \$4 in 2003, is now at \$16.

The difference, according to Harold Finkelstein, an irascible wholesaler from Long Island City, N.Y. who has been distributing Goodyears for 50 years: "I've been through umpteen man-



Goodyear Chief Robert Keegan isn't just full of hot air.



*Sara knew her company needed something more than a mere copier.
So they chose the new Canon imageRUNNER 6570 that does it all.
That's why Sara's company needs Sara.*

Sara's company isn't doing business as usual. What about your company? Some say all you need is a mere copier; we disagree. With the revolutionary new Canon ImageRUNNER® 70 Series, you'll receive state-of-the-art technology with reliable high-speed scanning, copying, printing, fax capabilities, even Internet access. All of our products have proven new engines, not to mention robust software offerings such as ExpressCopy, Universal Send™ and eCopy. ShareScan OP™, which provide users with the ability to scan and share documents with only one button. Thanks to Canon's AP® technology, their functions can be tailored for your specific business needs. And with their advanced security features, your documents and user information are protected, giving you some well-deserved peace of mind. Now you can truly expand the potential of your workday. That's not business as usual. 1-800-OK-CANON www.imagerunner.com

Canon
*image*ANYWARE

IMAGERUNNER and MEAP are registered trademarks of Canon Inc. in the United States and may also be registered trademarks in other countries. IMAGEANYWARE is a trademark of Canon Inc. Universal Send is a trademark of Canon Inc. in the United States and may also be a trademark in other countries. eCopy ShareScan is a trademark of eCopy, Inc. ©2005 Canon Inc. All rights reserved. Products shown with optional accessories. Certain software sold separately.

agements, and this is the best we've ever had. They are not living in some god-damn ivory tower in Akron."

Goodyear was a mess in early 2003 when Robert Keegan, a former Kodak president, replaced the 37-year veteran Samir Gibara as chief executive. It was saddled with debt from acquisitions, and its pension fund was underfunded by \$2 billion. The factories and distribution systems were so disjointed that the company wasn't filling orders from dealers. The dealers were in open revolt.

In April 2003 Keegan announced the sixth restructuring plan in seven years, recasting the company as a consumer-products outfit rather than as a rust belt manufacturer. He replaced 23 of the top 24 executive positions at the company, hiring from consumer-products companies like Procter & Gamble and Groupe Danone. For years Goodyear had chased volume, selling low-margin tires to auto manufacturers and replacement tires to the middle of the market. That wasn't profitable, given the company's high-cost U.S. factories. So Keegan and his North American chief, Jonathan Rich, developed expensive tires aimed at performance- and luxury-car drivers. Production of lower-end tires is slowly being moved offshore to Goodyear factories in Latin America, Asia and eastern Europe. "We owned the wrong real estate," says Rich.

With help from Sandia National Laboratories, Goodyear developed its "Triple Tred" feature to address what Goodyear discovered was drivers' biggest fear: changing weather conditions. The center of these tires uses volcanic ash to grip ice and snow, while other sections are designed to handle wet and dry roads. Goodyear's Assurance car tire with Triple Tred, which is listed at \$104 to \$190, is two-thirds more expensive than the cheapest Goodyear-branded tires. Triple Tred helped Goodyear increase revenue per tire 18% since the Keegan turnaround plan was announced in 2003.

Goodyear is still on a slippery road, facing a \$5.5 billion debt load and big pension and health care liabilities. The company's bonds are still in junk territory. Its profit margin before interest and taxes in North America is a skinny 1.8%. But at least Keegan has arrested the skid. **F**

NUMBERS GAME

Thumbs on the Scale

A new executive-pay scandal comes to light.
By Elizabeth MacDonald with Erika Brown

THE LATEST EXECUTIVE-PAY FLIM- flam is unfolding before us, and while its perpetrators can't hope to set the bar any lower than Dennis Kozlowski's expense-account toga party, this new hidden enrichment scheme has the potential to embarrass a lot of companies, especially in the tech sector.

Enforcers at the Securities & Exchange Commission have opened inquiries and

switcheroo. Accounting rules prohibit the change. "It's kind of like picking lottery numbers after the lottery has run," says Charles Mulford, a professor of accounting at Georgia Tech.

The tactic has taken down FORBES 2003 Entrepreneur of the Year, Amnon Landan, chief executive of Mercury Interactive, which sells software for tuning up a company's Web applications.

Landan, his chief financial officer and his chief legal counsel resigned on Nov. 2. (The executives could not be reached for comment.) An internal investigation prompted by an SEC inquiry initiated in November 2004, found 49 instances since 1995 in which the recorded date of the option grants differed from the date on which the options appear to have been granted, almost always in favor of the executives. Mercury shares fell 26% despite a decent earnings outlook. The company faces delisting from Nasdaq if it cannot file restated earnings back to



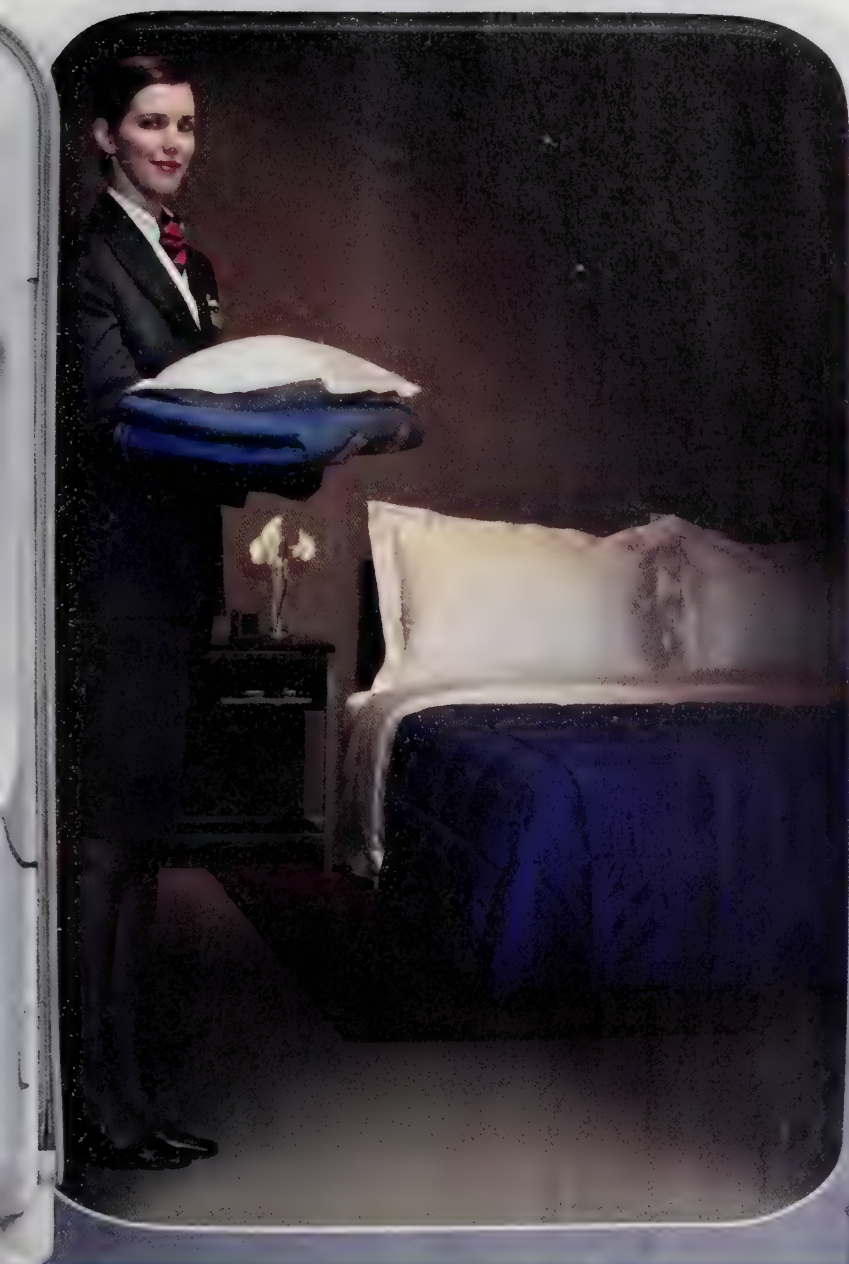
investigations into just shy of a dozen companies, hunting for executives who've switched the dates of their stock option grants to favor their own bank accounts. So far it has launched investigations into Analog Devices, Brocade Communications, Siebel Systems and Nyfix.

In a volatile market or in advance of a good earnings report there's plenty of incentive to change the paperwork on a stock option to a grant date when the stock price was lower. (The strike price on the option, the price at which shares may be bought, is usually pegged to the market price of the stock when the option was granted.) Timing can be fudged from as briefly as a few days to

1998 by Nov 30.

The SEC, tipped off a year ago that companies were backdating stock option grants, is eager to widen its investigation into what it calls secret executive compensation of the sort that tarred Kozlowski, GE's Jack F. Welch Jr. and Tyson Foods' billionaire founder, Donald Tyson. Lynn Turner, a former SEC chief accountant, suspects it's a fairly common practice and "bigger than most people realize."

Adds a Silicon Valley lawyer who asked not to be named: "I'd be surprised if there was even one public tech company that did not employ this practice in those [bubble] years." **F**



Softer flat beds for
a deeper sleep.

The best service anticipates your needs. To give you the best possible sleep, we used the latest in cushioning technology to create an even more comfortable flat bed. And to add to your comfort, we included plumper pillows and cozier blankets. Our goal is simple: to deliver the best service you could ask for, without you having to ask. So whether you're enjoying a gourmet meal, or an Arrivals Lounge that feels more like a spa, we think you'll find our business class like no other.

Unkindest Cuts

By Tim Kelly

President Bush is expected to get a much-needed morale booster when he visits Japan on Nov. 15. The Japanese government will likely announce an end to a ban on U.S. beef that was imposed after the discovery of a spongiform-encephalopathy-infected cow in Washington State in December 2003. The Mad Cow ban has chopped \$1.2 billion, or one-third, out of beef exports.

But this looks like a gift without much juice. While ending the ban, Japan will limit meat to cattle younger than 20 months, rather than the international standard of 30 months, as a way to prevent the spread of disease.

That requirement will curb the volume of beef the U.S. will be able to sell to Japan. Worse, the age limit will also keep U.S. meat companies out of the most lucrative segment of the Japanese market: marbled beef, a delicacy for which Japanese consumers are prepared to pay a high price. Veined with fat, the premium meat is produced from older animals that have been specially fattened. This is good news for Australian farmers, who have filled the high-end gap left by U.S. rivals.

The biggest hurdle facing American meat companies: fearful consumers. A survey published in October found that 67% of Japanese said they won't buy U.S. beef when it returns to supermarket shelves and restaurant menus.

The upshot, say worried meat industry spokesmen, will be U.S. shipments at a fifth of preban levels, at best.



CAREER COUNSELING

Outplaced—and Without Cobra

The Indian government aims to repurpose snake charmers as "barefoot conservationists." By Alan Farnham

MODERN-DAY INDIA isn't all call centers and semiconductors. There are snakes—at least 250 species. "They're all over the place here," says Bahar Dutt, a wildlife conservationist. Keeping them in line are 200,000 to 300,000 flute-playing charmers, known as *saperas*, who earn on average 75 rupees (\$1.60) a day. Depending on the province, that's higher than the minimum wage. But a charmer's lot is not a happy one. Animal-rightists harass them, deploring cobra working conditions. Laws forbidding the trapping of wild species, if strictly enforced, would put them out of business.

A survey released in 2004 by the Wildlife Trust of India, a private conservation group, found *saperas* downbeat: 94% felt snake charming, as a profession, had lost relevance. Only 12% said the reason they stuck with it was, "I like my job." And 75% said their income had declined.

Enter the government. Drawing on the findings and recommendations of the Wildlife Trust report, it aims to outplace charmers. Proposed career changes:

Barefoot conservation educator. *Saperas* could earn their livings by visiting schools, teaching young people how to distinguish between venomous and nonvenomous species.

Provider of health services. Dutt, who wrote the trust's report, notes that many *saperas* already perform this function, as a sideline. High on the list of ailments they treat: snakebite.

Wedding entertainer. Fifty-four percent of charmers already know how to play

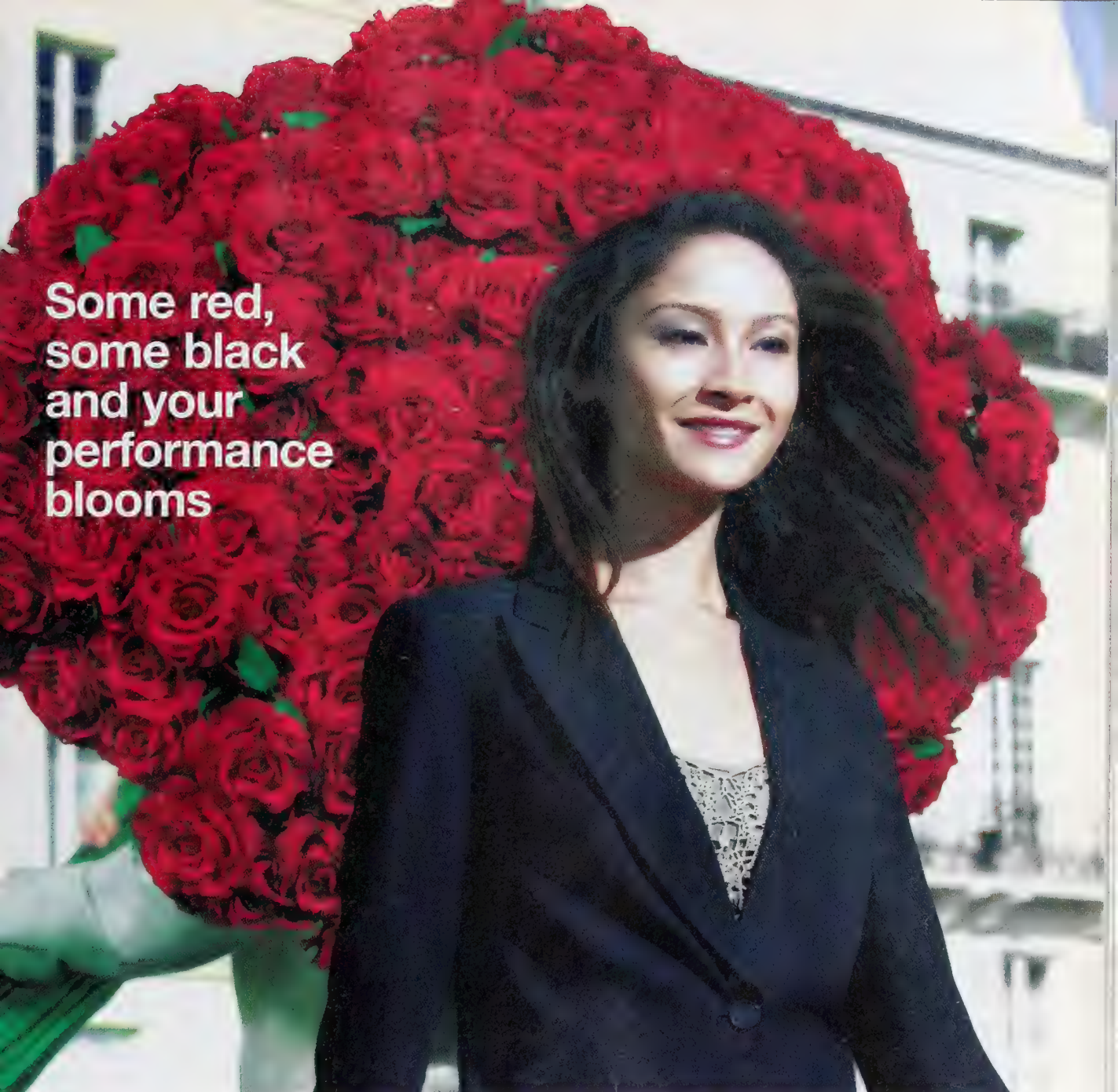


Lose the snake: Charmers could make more playing weddings.

the flute. It could be a small step from there to snakeless entertainment. Ensembles of *saperas* have been formed and, during peak demand, such as the wedding season, they can earn up to 3,000 rupees per person per month.

In a pilot program the government already has extended microloans to 17 *sapera* families, enabling them to start these and other small businesses.

One possible impediment: the caste system. Charmers enjoy respect, explains Vivek Menon, the Wildlife Trust's executive director, because snakes are regarded as divine. "So if you try to get *saperas* into something else, their main concern has to do with that, not their economic standing." Solution? "They are more willing to listen if you tell them it's a lateral move."



Some red,
some black
and your
performance
blooms

's the effect of Société Générale financial services.

g an expert bank means opening the way to success. Driven by its professionalism, Société Générale now
kforce of 93,000 in 80 countries and has become steadily stronger in its three key fields, offering its customers
e means to increase their performance. With more than 17 million customers⁽¹⁾ in retail banking, 326 billion
managed by global investment management and services and a confirmed worldwide leadership in corporate
stment banking (euro capital markets, derivatives and structured finance), Société Générale has become a
ce partner for its customers around the world. If you too, have a taste for growth, you will soon see what
été Générale red and black effect" can do for you. (1) at 31/03/05. www.socgen.com

Générale is authorised by Banque de France and the Financial Services Authority, and is regulated by the Financial Services Authority for conduct of UK
he United States, certain securities, underwriting, trading, brokerage and advisory activities are conducted by Société Générale Group's wholly-owned
SG Americas Securities, LLC, and SG Cowen & Co., LLC, both registered broker-dealers and members of NYSE, NASD and SIPC.

**Red,
black
and
rising.**



PAYMENT SERVICES



ASSET MANAGEMENT



PRIVATE BANKING



GLOBAL SECURITIES
SERVICES FOR INVESTORS



CORPORATE &
INVESTMENT BANKING



GROUP

PRIVATE WEALTH

China's Richest

CHINA'S ECONOMIC BOOM IS BEING FELT AT THE TOP OF THE PYRAMID: THE nation's 40 richest people are worth a collective \$26 billion, up from \$18 billion a year ago. We can identify 10 billionaires, up from 3 last year. China's private sector, by one brokerage estimate, now accounts for a good two-thirds of the Communist nation's economy.

The nation's richest man is once again Larry Rong Zhijian, who runs the conglomerate Citic Pacific. Real estate pushed Zhu Mengyi and his family up eight notches; their Hong Kong-listed Hopson Development owns properties in Guangdong Province. Among this year's most notable Internet entrepreneurs are Robin Li, cofounder of newly public Chinese search engine Baidu, and Jack Ma, whose Web site, Alibaba.com, attracted a \$1 billion investment from Yahoo earlier this year. Here are the top 10. For the full list see www.forbes.com/china.

—Russell Flannery

1. LARRY RONG ZHIJIAN

\$1.64 billion/Hong Kong/63.

The low-profile son of a former vice president, Rong worked in China's Ministry of Electric Power for 14 years before moving to Hong Kong in the 1980s to set up Citic Pacific. He has since built the group into one of China's most successful conglomerates, with investments in steel, property and power. It also owns 26% of Cathay Pacific Airways and is a partner of Wal-Mart in the Shanghai area.

2. ZHU MENGYI

\$1.43 billion/Guangzhou/46.

Property baron shares his fortune with brother Zhu Qingyi and other relatives. The family's assets are in Guangdong Province, an area that missed much of China's property boom in the last few years but is starting to pick up. The U.S.' Tiger Fund and Singapore's government-owned fund Aranda Investments each recently paid \$63 million for 8.3% stakes in Zhu's Hopson Development.

3. WILLIAM DING LEI

\$1.27 billion/Beijing/34.

Briefly China's richest man in 2003, Ding returns to the billionaire ranks. His Internet service provider, NetEase.com, is getting a boost from its growing online game business.

4. WONG KWONG YU

\$1.25 billion/Beijing/36.

Made a big splash last year when he took his Gome appliance chain, China's biggest, public through a backdoor listing in Hong Kong. More recently Gome's stock has fallen amid brutal competition. Wong is also developing his real estate business.

5. LIU YONGXING

\$1.16 billion/Shanghai/57.

Part of the Liu family, four brothers who made their early fortune in feed. Liu Yongxing has since expanded into natural resources, with a focus on aluminum. His East Hope's Inner Mongolia ingot plant is one of the largest in Asia.

6. LIU YONGHAO

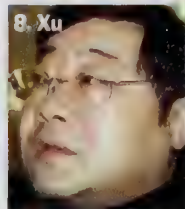
\$1.12 billion/Chengdu/54.

The youngest of the Liu brothers, Liu Yonghao is now the biggest shareholder in Minsheng Bank, the country's largest privately owned bank, and is also looking to expand into the food industry.

7. GUO GUANGCHANG

\$1.09 billion/Shanghai/38.

Cofounded Fosun Group, a conglomerate with high-profile investments in retail, media and real estate. Its property



developer Forte is listed in Hong Kong. But the group's biggest success is in steel.

8. XU MING

\$1.05 billion/Dalian/34.

Best known in his home city as owner of its soccer team. But his money comes from investments that his Shide Group makes in insurance and banking.

9. XU RONGMAO

\$1 billion/Shanghai, Hong Kong/55.

It's the best of times for this Fujian-born property magnate. His Shanghai Shimao International Plaza, set along Shanghai's famed Nanjing Road, will be completed next year. He plans to list Shimao Group's China real estate holding company overseas next year.

10. CHEN TIANQIAO

\$1 billion/Shanghai/32.

A onetime manager in a government-owned property development company, Chen is credited with creating China's online game industry, largely by reaching consumers in Internet cafes. His Shanda Interactive Entertainment, which he founded and owns with his wife, Luo Qianqian, and younger brother Chen Danian, has lost some steam amid an onslaught of imitators.



© 2006 Marriott International, Inc.

SPRINGHILL SUITES PRESENTS THE GO-TO BED.

We've made the mattresses thicker, the pillows and sheets softer, and getting out of bed in the morning nearly impossible. You'll find the new beds at SpringHill Suites® altogether irresistible. They have to be to compete with all the incredible style and comfort designed into every one of our spacious suites.

SpringHill Suites. Spacious by design.SM

IT'S THE MARRIOTT WAY.SM



For reservations, call 1-800-MARRIOTT or visit Marriott.com/SpringHillSuites.

Bedding availability varies by location.

Health

SPINAL INJURY



To Walk Again

Injuries to the spinal cord have bedeviled doctors for millennia. Breakthroughs in neural research offer the first glimmer of hope for rewiring damaged circuits.

BY ROBERT LANGRETH

AN ANONYMOUS EGYPTIAN surgeon once summarized advice for a patient who had fallen on his head and injured his spinal cord. "An ailment for which nothing is done," declaimed the famed Edwin Smith surgical papyrus, a 1600 B.C. copy of an original text believed to date from 1900 B.C.

In the thousands of years since, medical science has had little more to offer patients with spinal cord injuries. Even today treatment focuses on stabilizing the patient to prevent damage from spreading, with surgery to decompress the spine and steroids to prevent inflammation and protect remaining neurons. There are no approved drugs to regenerate damaged nerves. The few compounds that have been tried in big clinical trials have produced equivocal or negative results. Large drug firms have historically avoided the area, figuring the market was small and prospects for success dim.

But that is changing. A series of surprising research findings in the past decade provides the first real glimmer of hope that damaged spinal cords can be repaired, at least partially. Scientists have discovered that, contrary to long-standing dogma, nerve cells in the spinal cord

do retain an intrinsic ability to regenerate despite their normal failure to do so. They have pinpointed, one by one, a brew of proteins in the spinal cord that block this incipient nerve growth. By devising compounds that bind to and inactivate these proteins, drug researchers hope to restore nerve cells' natural ability to return after an injury. In animal tests these compounds restore some walking ability to the partly paralyzed.

Supporting this idea is emerging evidence indicating that many people with so-called incomplete spinal injuries (those who retain some sensation or movement below the injury site) may, in fact, be able to walk again with intensive training. One not-yet-published study of 146 recently injured spinal cord patients compared two types of training aimed at restoring walking ability. Surprisingly, after three months of therapy 90% of those with some sensation and movement recovered the ability to walk slowly, no matter which type of training they had gotten. "The bias has been that people with spinal cord injury don't walk, but a lot of the patients with some movement do," says UCLA neurologist Bruce Dobkin, who led the study.

One type of therapy used in the study is body-weight-support treadmill training, in which a patient's weight is sup-

A stray bullet kept Gernard Fulton from walking. She is back on her feet with robotic help at the Rehabilitation Institute of Chicago.

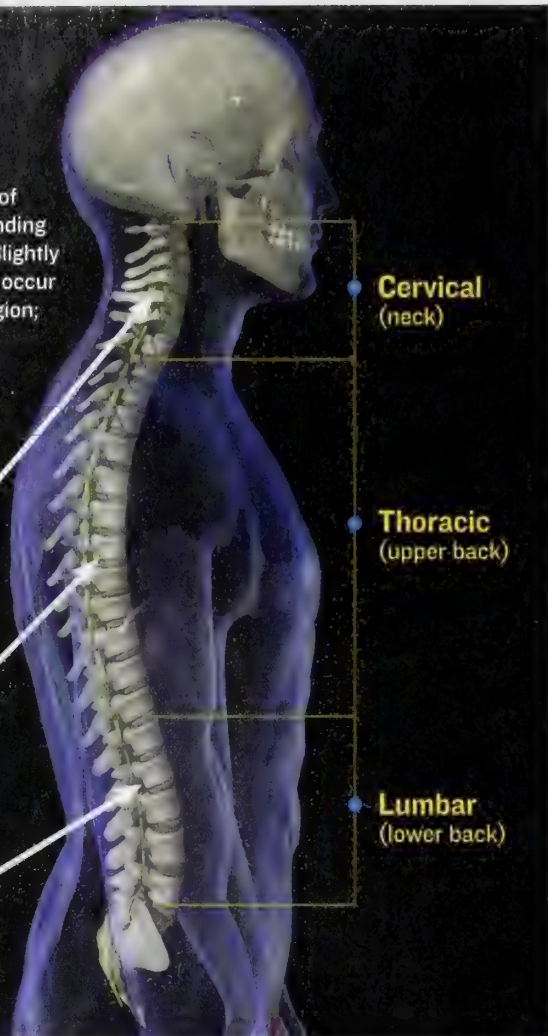
Paralysis Analysis

In spinal cord injury the extent of paralysis can vary widely depending on where the damage occurs. Slightly over half of spinal cord injuries occur at the cervical level, or neck region; major damage here leads to quadriplegia. Severe injuries lower down on the spine often lead to some form of paraplegia. All spinal cord damage leads to bladder, bowel and sexual function problems.

Cervical injury
(quadriplegic)

Thoracic injury
(paraplegic)

Lumbar injury
(paraplegic)



Cervical
(neck)

Thoracic
(upper back)

Lumbar
(lower back)

ported by a harness over a treadmill while therapists help move his legs. Some centers do the therapy using a \$250,000 robot, the Lokomat, from privately held Hocoma of Switzerland, which automatically moves the legs. The treadmill training is "an enormous advance," avows William Zev Rymer, director of research for the Rehabilitation Institute of Chicago. One patient the institute helped is 36-year-old Chicago resident Gernard Fulton, who was paralyzed from the neck down last October after being hit by a stray bullet during a nightclub fight. After ten months of Lokomat training and other rehab, she can walk five blocks with a cane and plans to move back into her third-floor walk-up apartment this month. She credits Lokomat with "at least 60%" of her recovery.

Scientists have turned up evidence that spines contain "pattern generation" circuits with an innate capability to gen-

erate walking motions with modest input from the brain. Reconnecting a mere 10% to 15% of nerves across a crushed spine may be enough for paraplegics to regain limited walking ability or for quadriplegics to be able to use their hands again, estimates Dr. Volker Dietz, who treats spinal cord patients at Balgrist University Hospital in Zurich.

"There wasn't much hope a few years ago, but now there is considerable optimism," says Moses Chao, a molecular neurobiologist at New York University. "I don't think anyone anticipated research could have moved this quickly." Predicts University of Montreal neuroscientist Lisa McKerracher: "In the next ten years we will see some amazing results."

Two novel nerve-growth-promoting therapeutic drugs are already in human trials at small biotech firms, including one called Cethrin at Montreal's Bioaxone Therapeutic, which McKerracher co-

founded in 2000. Some of the world's biggest drug and biotech firms are entering the once-neglected field, including Novartis, Biogen Idec and Merck. Novartis expects to begin human trials next year. Genentech is now testing in mice whether its lung cancer drug Tarceva can spur nerve regrowth, following positive preliminary findings published last month by Harvard researchers.

Any treatment would provide some long-awaited good news to the 250,000 Americans living with spinal cord injuries. Some 11,000 new injuries occur each year, most often to young men caused by car accidents, falls, violence and sports. Spinal cord injury sufferers have near-normal life expectancy, but medical costs can exceed \$100,000 per year.

While nerves in the arms, legs and peripheral organs can sprout back at the rate of up to 1 millimeter per day, adult neurons in the brain or spinal cord, the so-called gray matter, were long assumed incapable of growing back after an injury. But in the early 1980s McGill University researcher Albert Aguayo showed that rat spinal nerves would grow like crazy inside a piece of peripheral nerve that was grafted onto the spine. The neurons themselves were not the problem. Something in the spinal environment was pre-

"There wasn't much hope a few years ago, but now there is considerable optimism."

venting growth.

In the late 1980s a young neuroscientist named Martin Schwab, now a professor at the University of Zurich and the Swiss Federal Institute of Technology, suspected the culprit was the spinal cord's myelin, the insulating sheath that surrounds nerves. He developed an antibody to an unknown protein in the myelin. In 1990 he and colleagues gave this antibody to rats with severed spinal cords. The



>



Supermarkets know that shoppers will judge the quality of an entire store by what they see in the fresh meat department. So savvy grocery chains have turned to Cargill's branded beef programs to provide their fresh meat departments with products that bring customers back. By focusing on the entire ranch to retail process, Cargill delivers quality beef that is consistently tender. Stores see an increase in meat sales while also improving their overall image. This is how Cargill works with customers.

collaborate > create > succeed



WE'RE BRINGING RANCH QUALITY
BEEF TO GROCERY STORES.



nerves began to grow back.

But what was the protein? There were hundreds that could have been the one that stopped nerve regeneration and was suppressed by the antibody. "People said it was a crazy idea. [They] said the protein wasn't there at all," Schwab recalls.

While Schwab kept looking for his protein, researchers identified other molecules that held up nerve growth. A key

advance occurred in 1998 when Schwab's group was able to purify some fragments of the antigrowth protein. In 2000 Schwab's lab and other scientists at Yale University and in England silenced the skeptics, finally cloning the gene for a protein they dubbed Nogo.

Since then "the whole field has exploded," says Graeme Bilbe, who heads neuroscience drug discovery at Novartis.

"People said it was a crazy idea. They said that the protein wasn't there at all."

Novartis hooked up with Schwab and had crafted monoclonal antibodies to Nogo. Rats that were partly paralyzed from spinal cord injuries regained some ability to swim, cross a ladder and perform other basic tasks after being treated with similar antibodies.

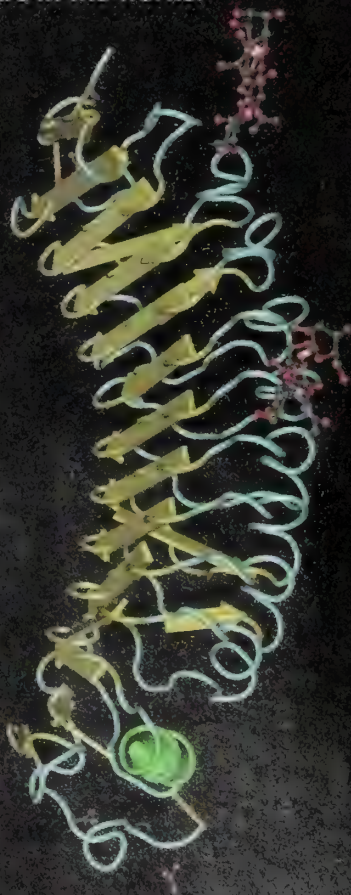
The first human trial is slated for early next year, in patients with so-called complete injuries. They have no sensation below the injury site. "We are incredibly excited. It is such a fundamental process that it should work in patients," says Novartis' Bilbe. He cautions that a drug that spurs nerve growth in the wrong places could cause nerve pain, epilepsy or other nasty side effects; this has not been seen with Novartis' drug so far.

Novartis competitor Biogen Idec is piloting a slightly different approach that could have broader effects on neurons. Working with Yale University neurologist Stephen Strittmatter, who cloned the Nogo gene, Biogen Idec has created a counterinsurgency protein that acts as a sponge to soak up copies of Nogo and other growth-blocking proteins in the spinal cord before they can bind to the receptor. Human trials are still two years away, but already Strittmatter is getting e-mails every week from patients asking to join the trials now. Meanwhile, Merck and partner Alnylam Pharmaceuticals are using newfangled gene-silencing technology to turn off an undisclosed gene in the Nogo pathway; a compound could be ready for human trials in three years.

No single drug is likely to be a golden bullet. Research has identified at least six possible growth-inhibiting proteins in the spinal cord, and no one knows how many need to be turned off or which ones are most important. Most doctors say that combinations of drugs and exercise will still be required to have a big impact. **F**

Regeneration Race

A plethora of new spinal cord injury therapies are in the works.



The Nogo receptor (above) on nerves is a key culprit in blocking growth.

NOVARTIS

APPROACH: Monoclonal antibody to the Nogo protein.

STATUS: Early-stage trial in 2006.

BIOGEN IDEC

APPROACH: Protein that soaks up Nogo and other nerve-growth blockers.

STATUS: Trials in stroke or spinal injury patients in two years.

BIOAXONE THERAPEUTIC

APPROACH: Drug Cethrin promotes regeneration and protects nerves.

STATUS: Early clinical trial under way.

GERON

APPROACH: Embryonic stem cell therapy to regrow damaged myelin sheath and stimulate nerve growth.

STATUS: Early-stage trial in 2007.

PRONEURON BIOTECHNOLOGIES

APPROACH: Inject immune cells into spinal cord to stimulate repair.

STATUS: Midstage trial under way.

MERCK/ALNYLAM PHARMACEUTICALS

APPROACH: Interfering RNA to block Nogo pathway.

STATUS: Lab tests.

GENENTECH

APPROACH: Tarceva lung cancer drug may also spur nerve growth.

STATUS: Ongoing tests in mice.

AIR FRANCE 
making the sky the best place on earth 

The world in the eyes of Air France.

The world with 650 destinations. The world with access to 137 countries.

Encircling the world with 14,000 daily flights together with our SkyTeam partners.

This is the world in the eyes of Air France.

www.airfrance.com/us



AIR FRANCE KLM

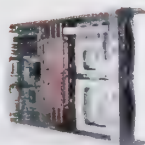
CIOs
RELY
ON
THEM



CFOs
INSIST
ON
THEM

If there's one thing CIOs and CFOs can agree on, it's Fujitsu PRIMERGY® BX620 S2 blade server.

Featuring the proven reliability of Intel® Xeon™ processors, PRIMERGY BX620 S2 blade server gives CIOs the power to drive complex business-critical enterprise applications based on Linux and Windows® operating systems. The PRIMERGY BX620 S2 blade server also provides a low total cost of ownership (TCO), delivering the reliability, serviceability, and manageability



PRIMERGY BX620 S2
Blade Server



CFOs demand. To help maintain high performance and low TCO, Fujitsu features Cool-Safe™ cooling technology. Developed with aviation simulation techniques, this innovative, new approach to thermal management optimizes processor airflow to keep the server blades running at peak performance in real-world IT environments.

For more information on the Fujitsu PRIMERGY BX620 S2 blade server and how it can bring CIOs and CFOs together, visit us.fujitsu.com/computers/PRIMERGY or call 1-800-831-3183.

FUJITSU

THE POSSIBILITIES ARE INFINITE



DRUG DISCOVERY



The Curious Case of The One-Eyed Sheep

How a freakish birth defect among Idaho lambs 50 years ago has led to a powerful new cancer treatment.
By Matthew Herper



Biologist Philip Beachy, the cornucopia that did it this deformed lamb.

IDAHO SHEEP RANCHERS COULDN'T figure out why, in the decade after World War II, a random batch of their lambs were being born with strange birth defects. The creatures had underdeveloped brains and a single eye planted, cyclopslike, in the middle of their foreheads. In 1957 they called in scientists from the U.S. Department of Agriculture to investigate.

The scientists worked for 11 years to solve the mystery. One of them, Lynn James, lived with the sheep for three summers before discovering the culprit: corn lilies. When the animals moved to higher ground during droughts, they snacked on the flowers. The lilies, it turned out, contained a poison, later dubbed cyclopamine, that stunted developing lamb embryos. The mothers remained unharmed. The case of the cyclopamine and the one-eyed Idaho lambs remained a freakish chemistry footnote for the next 25 years; researchers never could uncover why cyclopamine caused birth defects.

But now cancer researchers have improbably seized on the obscure plant chemical as the blueprint for a half-dozen promising tumor-fighters. Cyclopamine, it turns out, blocks the function of a gene called Sonic hedgehog that is essential for embryonic development but also plays a lead role in causing deadly cancers of the pancreas, skin, prostate and esophagus.

"It's a beautiful accident of evolution," says Philip A. Beachy, a Howard Hughes Medical Institute investigator at Johns Hopkins University and one of the key players in this genetic detective story. In early tests researchers have stopped the growth of the most virulent human tumors, varieties accounting for 25% of cancer deaths.

Genentech and partner Curis, a fledgling biotech in Cambridge, Mass., are first out of the gate with an experimental hedgehog-blocking skin cream for basal cell skin cancer. More drugs in the pipeline are aimed at other cancers. Julian Adams, the superstar chemist who invented the AIDS drug Viramune and cancer drug Velcade, has made a hedgehog inhibitor one of his lead medicines at Infinity Pharmaceuticals. Little is known about his drug, which has not yet entered human trials, but on its Web site Infinity points to the role of hedgehog in pancreatic cancer. Novartis, Abbott Laboratories and Boehringer Ingelheim are all thought to be pursuing hedgehog programs. "It would be a major triumph for basic science if a drug were to come from this," says Matthew Scott, an HHMI cancer genetics expert at Stanford University.

The discovery of the hedgehog genetic pathway originated in the quest to understand how an embryo knows what body parts to grow and where. A

developing embryo starts out as a ball of identical cells with no top or bottom, no front or back. No one knew how this ball of cells figures out where to put an arm, a wing, a head or a foot.

In the late 1970s researchers Christiane Nüsslein-Volhard and Eric Wieschaus completed their massive study of thousands of fruit-fly mutations, a landmark in large-scale biological analysis. They found 50 genes that turned out to be very important to the development of fly embryos. One that they mutated caused the flies to grow a coat of spines all over their underside, so they dubbed it the hedgehog gene. (The two won the Nobel Prize in 1995 for this work.)

That set off a search by Philip Beachy and a dozen others to explore the hedgehog pathway in higher-order animals, such as fish and mammals. They found several in each species, whereas flies have only one. In mammals, the most important may be the Sonic hedgehog gene, named after the Sega videogame character by scientists in the Harvard laboratory of Clifford Tabin in 1993. Mutation of Sonic hedgehog in people may result in babies with a single eye or a hole in the center of their head. The infants' brains can be so underdeveloped that they often don't survive. Usually patients have less serious mutations: a single front

From Poison to Palliative

Once-reviled thalidomide is a \$375 million



BYETTA/Amylin Pharmaceuticals & Eli Lilly/\$59 million sales (2005)
 ▼ Derived from spit of the venomous Gila monster.
 ▲ Controls blood sugar in diabetics.



PRIALT/Eli Lilly/\$16 million
 ▼ Made from venom of the cone snail.
 ▲ Treats chronic pain.



TAXOL/Bristol-Myers Squibb/Generic
 ▼ Most of the yew tree contains a poison that can stop the heart.
 ▲ Became a hit cancer drug.



Genentech's chief scientist, Robert L. Langer, is bringing his golden touch to the Sonic hedgehog gene.

h or a slightly deformed face. If Sonic hedgehog is mutated when a mouse is growing its paws, the animal won't grow digits. Interfere with it when the developing brain is casting out the bulges of nerve tissue that become eyes, and you get cyclopean sheep. "It's spectacular," says Frederic de Sauvage, a hedgehog researcher at Genentech.

All these mutations were done by

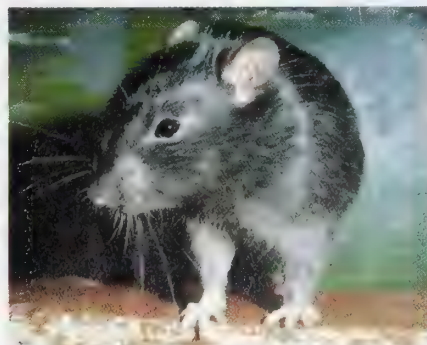
physically changing the animals' DNA. It wasn't until Johns Hopkins' Beachy and his colleagues remembered reading about the Idaho lambs that they realized cyclopamine could be used as an easier on-off switch for the hedgehog pathway. They published their discovery in 1998, and Beachy and others began exposing animals to cyclopamine to study its role.

Matthew Scott of Stanford and a team at UC, San Francisco, working separately, made a huge connection: Defects in hedgehog or related genes were present in two rare diseases linked to cancers. One, called Gorlin's syndrome, sometimes causes basal cell skin cancer to blanket patients as soon as they hit puberty. A second, called medulloblastoma, afflicts the brains of nearly 400 children a year in the U.S., often fatally. Normally the hedgehog gene is dormant in adults. But Beachy theorized it is needed to make repairs in parts of the body that undergo constant regeneration, as in chronic acid reflux, where Sonic hedgehog works overtime to reline the throat. When the gene's activity goes awry in places like the lungs and skin, it can lead to tumors. Beachy has turned normal prostate cells cancerous with a single mutation in Sonic hedgehog. "This pathway has more quirks and twists than you can imagine," says Beachy. "Now the evidence is really expanding." **F**

cancer pill. Other scary substances that treat disease:



BOOTOX/Allergan/\$840 million
Nerve toxins from the *Clostridium botulinum* bacteria cause paralysis or death in 110 Americans annually. Genetically engineered version used to treat neck pain and firm up facial wrinkles.



COUMADIN/Bristol-Myers Squibb/Generic
▼ Originally a rat poison.
▲ Blood thinner has prevented strokes for 60 years; still effective on rats.

Sources: companies; Centers for Disease Control; Friedman, Billings, Ramsey.

"THE JAPANESE AND THE FRENCH ARE SO DIFFERENT. HOW CAN THEY POSSIBLY FIND A COMMON GROUND?"

Toyota's Vice Chairman Fujio Cho says Toyota is enjoying great success in fusing its business methods with French values.



Smart Phone. Stupid Software.

SPRINT'S NEW COMBO DEVICE SEEMS AS PROMISING AS a smartphone could be. The \$450 PPC-6700 includes just about everything you could possibly want, right down to a good-looking screen and an attractive slide-open thumbboard.

How do you want to connect? There's Wi-Fi for cafes and hotels, Bluetooth for headsets. Sprint's new high-speed Power Vision mobile data network gets you 400 to 700 kilobits per second; where that's not available, you get the slower Vision service. A 1.3-megapixel camera and a voice recorder are built

in, and you can add memory with a MiniSD Card.

The 6700 is the first U.S. device powered by Microsoft's long-awaited new operating system, Windows Mobile 5.0, already announced as underpinning both PalmOne's next Treo phone and Motorola's would-be BlackBerry-slayer, the Moto Q. The new OS does a better job of handling a five-way rock control, and when the keyboard is open and the screen automatically switches to horizontal mode, the Web browser seems much improved.

The new Mobile versions of Office applications do a far better job than their predecessors of retaining documents' formatting

after editing, though many elements still won't survive the round-trip. The new Mobile PowerPoint doesn't have that problem, since you can't edit presentations—all you can do is look at them.

That's fine, but there's one unfortunate problem with Windows Mobile 5.0 in its current incarnation: faulty plumbing. ActiveSync, the program that synchronizes the device with a PC, has been totally reworked using Internet protocols instead of the

proprietary system of yore. But though the old system was no prize, the new one is so bad that Microsoft offers a long, long Web page devoted to things you may need to try on your PC (ready to "un-bind NDIS Intermediate Drivers?") if you want ActiveSync to work. A software fix is due on the Web, but there are plenty of problems it won't resolve.

Example: Turns out it's a bad idea to have the 6700 connected while the computer boots. When I accidentally did that—easy enough, considering that the synch cradle is where you would normally leave the device to charge after you turn your PC off at night—ActiveSync went into an endless loop of futility. When I plucked the device from the cradle, it was no longer able to use data functions at all. Only a reboot and a resynch saved me.

Then there was the time I tried to surf the Web and the 6700 kept demanding a nonexistent password. That kept me from even making phone calls, let alone sending mail. Repairing that required a "hard reset," wiping every scrap of info in the phone and forcing it to restart from scratch—and forcing me to wait and wait while ActiveSync trickled hundreds of contacts back into the phone. In theory, you can use the phone as a modem with Sprint's high-speed data service, but I couldn't make it work because key software appeared to be missing from the package.

The 6700 includes a version of Windows Media Player for music and video. But glitches in ActiveSync make Microsoft's



Sprint PPC-6700: Wi-Fi, Bluetooth, fast cellular data and plain old phone calls—when the Windows software works.



Stephen Manes (steve@cranky.com) is cohost of *PC World's Digital Duo*, which appears weekly on public television. Visit his home page at www.forbes.com/manes

Toyota's Vice Chairman Takuro Iwamoto says France and Japan make a winning partnership.

Has it been difficult adapting to the French way of doing things?

We have had no difficulty at all. At Toyota, our management philosophy is based on two pillars: mutual respect and what we Japanese call 'Kaizen', which means continuous improvement. We actively encourage our employees to suggest new ways that improve our system. Because inventiveness comes naturally to the French, we've had no difficulty adapting the spirit of Kaizen to France. In fact, the employees at our factory in Valenciennes have developed a new technical vocabulary that fuses Japanese with French words. I think this is a good example of how we've created a good blend of French thinking and work styles with the core values of the Toyota Production System. It is thanks to the French people that our French business is so successful.

What has French innovation brought to Toyota?

Our strategy is to manufacture vehicles where the market is. That means designing models that meet the high demands and tastes of European consumers. We chose to set up a design center in the north of France with a mission to develop cars that precisely fit the European market. Our design center in southern France has handled the styling for key models like the Yaris (sold as the Vitz in Japan) and Corolla. In fact, the Yaris has won high acclaim not only in Europe, but also in many other markets around the world.

How do you find the French hard to work with?

At our plant in the Nord-Pas-de-Calais region where we built our first factory, we have demonstrated outstanding teamwork and a Kaizen attitude that got production up to speed very smoothly. Our new, state-of-the-art factory, which was state-of-the-art when we built it in 1998, became operative very quickly; the result of the local workforce's tradition of high-level skills and workmanship which combined beautifully with the Toyota Production System.

Toyota in France

Since 1971 with 5 business

units operating in France

Toyota's main plant on the

French coast, at Valenciennes

Employees work hard to

improve the quality of

their work and the quality

of the cars they produce

Toyota's main plant on the

French coast, at Valenciennes

Employees work hard to

improve the quality of

their work and the quality

of the cars they produce

Toyota's main plant on the

French coast, at Valenciennes

Employees work hard to

improve the quality of

their work and the quality

of the cars they produce

Toyota's main plant on the

French coast, at Valenciennes

Employees work hard to

improve the quality of

their work and the quality

of the cars they produce

Has your joint venture with PSA Peugeot Citroen been a productive experience?

It has been a very challenging experience, in which both Japan and France have learned much from one another. There were differences in areas

such as the stages of bringing plants on line and work procedures, but we overcame these. Our mutual strengths and weaknesses complement each other, and have created a good cooperative relationship for the future. It gives me great pleasure to know that we have been able to launch the Aygo, a car developed for the European market, as a concrete result of this partnership.

What do you find attractive about doing business in France?

France has a highly developed automotive industry and is an extremely important nation in Toyota's European strategy. It has a rich industrial infrastructure, numerous parts suppliers and a highly qualified workforce. And it is geographically in the center of Europe with a high quality transport infrastructure.



"We've had fantastic support from the French. Great teamwork and a real understanding of the concept of 'continuous improvement'."

What has the Government done to help?

When we built the plant in 1998 the Government assigned a single dedicated person to handle all our negotiations. This streamlines decision making so that everything happens as quickly as possible. The French Government has been a huge help.

Toyota is the only Japanese car firm to manufacture in France. Haven't you ever felt any difficulty doing so?

Absolutely not. After starting out in France as an importer, we've gone on to become an investor and now a full-scale industrial player. We design, engineer, manufacture and sell our cars here. We even have our own showroom on the Champs-Élysées.

Now is the time to invest in France. To find out how the Invest in France Agency has helped some of the world's leading companies and what it can do for you, visit www.thenewfrance.com

THE NEW FRANCE. WHERE THE SMART MONEY GOES.

already awkward PC media transfer software even worse. Eventually I was able to play unprotected Windows Media Files on the device, but transferring protected subscription content from the Real Rhapsody service worked with only two of about fifty tracks I tried—and when played on the device, they exhibited annoying stutters.

Apart from the synch problems, the 6700 is not as clever as it initially appears. The slide-out keyboard does have wide keys but also has odd key placement and poor contrast between letters and background. It gets really tiresome having to open the phone and hold it sideways to type in a contact you want to dial.

Trying to replicate the Windows user interface on a small screen was always a Procrustean idea; the new version offers no token improvements. You're never sure quite what's running at any given moment, and nobody seemed to revamp even basic applications like the contacts list to work better when you use the phone horizontally.

Microsoft's customary shoddiness no longer has the ability to astonish—just to sadden. With Windows Mobile 5.0, Bill Gates, Microsoft's chief software architect, has delivered yet another edifice built for instant collapse—but at least it will fit in your pocket.

Music in the Air

Motorola's Rokr, the only phone that can play copy-protected songs from Apple's iTunes Music store, got well-deserved grief for several problems. It doesn't have a cute click-wheel like an iPod. It can't hold more than a hundred of those songs at a time. It transfers those songs over an ancient-model USB 1.1 connection that takes about 30 seconds per tune. And, most important, you can't buy tunes over the air, right now, when you're hankering for some Black Eyed Peas.

Now Sprint has introduced the first U.S. mobile phone service that lets you buy music anytime you want it—provided you have the right phone and shell out a whopping \$2.50 per track. Like pushers of some other potentially addictive habits, Sprint even gives you the first five hits free. But to avoid paying extra per-kilobyte charges, you need to sign up for an unlimited data service package starting at \$15 per month.

Sprint says its store offers more than 250,000 tunes. I didn't count them, but navigating through them on a tiny screen isn't fun except unintentionally. Browse through the classical listing and you may be surprised to find tunes by Tuck and Patti.

The first download I tried via Sprint's \$250 Samsung A940 phone took about four minutes and involved bizarre error messages. Things began to settle down after that. Free 30-second previews were available a few seconds after click-



Sprint MM-A940, Motorola Rokr: Two telephonic approaches to playing your favorite tunes.

ing. Purchased songs took 45 to 60 seconds to arrive.

The files you get sound okay, even though they're much more compressed than the Windows Media versions that your \$2.50 also entitles you to download from a Sprint site and play on your PC. The first time I tried the PC part, the process involved a Windows Media Player upgrade download, a truly annoying installation with a brief but scary black screen, a restart, a "security upgrade" to Windows Media Player, "license acquisition" and, when I closed

the player, "license backup. Hey, like Sheryl Crow, all I wanna do is have some fun."

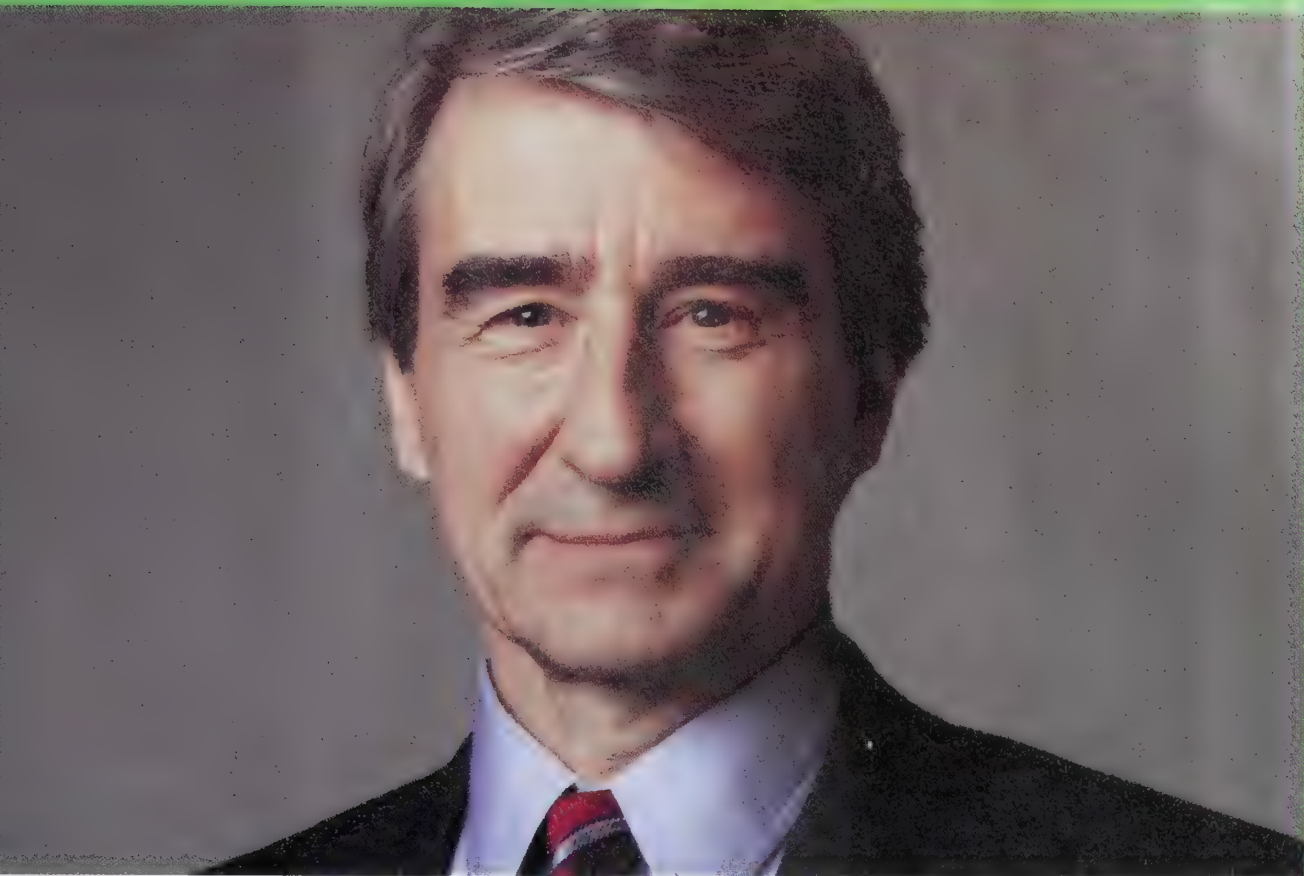
Sprint hasn't done itself any favors with its stingy explanations of what you can and can't do with the tunes. Click on Sprint's "General FAQ" and up pops a little dialog box with a warning triangle and the legend "coming soon!" But I was able to copy songs from one machine to another and play them on both.

The phone's USB cable should let a PC treat the phone's fingernail-size TransFlash card as a disk drive. But my Windows XP machine expected software that Sprint omitted, so I had to resort to sticking the card into the supplied SD adapter and then connecting it to a PC. MP3 files I transferred to it played fine in the phone; WMA files, oddly

enough, no dice.

You can get music to this phone without paying \$2.50 a pop. Sprint offers a Sirius radio channel free with data plans; \$7 a month gets you 20 more. Mspot and Real Rhapsody charge similar prices for still more channels.

But when you've just gotta have the second or fourth movement of Mahler's *Symphony No. 4* conducted by James Levine (the other two are unavailable), or Gwen Stefani's "Hollaback Girl," you just gotta. Even if for your lousy \$2.50 you can't turn it into a ring tone. —S.M.



"Objective, independent, third-party research." Can your broker say that?

FREE TRADES FOR A MONTH

Open an account online at
tdwaterhouse.com/freetrades
and enter offer code **MRCFBF**.

CONTACT US AT:
1.800.tdwaterhouse
tdwaterhouse.com
Online trades as low as \$9.95

At TD Waterhouse, you can feel confident in the objectivity of the research and information they provide. Because it comes from independent, third-party sources. Not in-house research analysts.

You'll find offerings like MarketEdge Second Opinion. Standard & Poor's Reports. Reuters ProVestor Plus. Vickers Insider Trading Chronologies. Standard & Poor's *The Outlook*. And Standard & Poor's Five STAR Stock Reports. And it's all FREE.

It is also easy to use, thanks to tools like their Stock Screeners that let you

"screen" for investment ideas according to various criteria, including 10 pre-defined Standard & Poor's strategies.

So if your current broker's lack of objectivity is a concern, check out TD Waterhouse. They make it easy to switch, and easy to invest on your own.

You can do this. Switch today to TD Waterhouse. The alternative to higher-priced brokers.



©2005 TD Waterhouse Investor Services, Inc. Member NYSE/SIPC. Comparison based on survey of standard equity commissions as of 9/10/04. Services vary by firm. Access to services and your account may be affected by market conditions, system performance or for other reasons. Third-party research obtained from sources deemed reliable; however, TD Waterhouse does not guarantee its accuracy or completeness and makes no warranties with respect to results to be obtained from its use. Online market orders are \$9.95-\$17.95 depending on trading activity. Limit orders just \$3 more. Trades over 2,500 shares incur 1 cent per share charge for the entire order. Call or see tdwaterhouse.com for complete commission fee schedule. To be eligible for promotion, account must be opened by 10/31/06; free trades are valid 30 days from account funding; accounts must be funded within 90 days from the date the account is opened. Each free trade valued up to \$45. Offer valid for new customers only. Open individual, joint, retirement, trust, or Coverdell Education Savings accounts. Custodial, partnership, 529 College Savings Plan, and corporate accounts are not eligible. Funds transferred from existing TD Waterhouse accounts are not eligible. One per person; U.S. residents only; void where prohibited; standard terms and conditions apply; offer subject to change at any time without notice. Maintenance fees may apply to accounts with balances or trading frequency below specified minimums.

© MRCFBF

TDW3851



Helping companies give customers a say: Edmund Sarraille.

CUSTOMER CONNECTIONS

Collective Opinion

Forget the up-close focus group. Newfangled software lets Lego, Procter & Gamble and others mine ideas from tens of thousands of opinionated customers | By Allison Fass

FOR YEARS TOYMAKER LEGO rarely strayed from peddling 100-piece building-block sets that typically sold for \$15. That's what customers were telling it to do—the customers participating in focus groups, that is. This venerable market-research tool puts a dozen ordinary folk in a room to talk

about products while market experts listen in.

Yet a few years ago Lego unveiled a blockbuster product that was a radical departure from anything else in its 73-year history. The Star Wars Imperial Destroyer debuted in late 2002 as Lego's largest and most expensive set ever, at 3,100 parts and a \$300 price tag. Its

first production run, planned last a year, sold in less than five weeks.

This winner came out of a different sort of focus group: one with 10,000 players. They were Lego customers responding to an e-mailed invitation to participate in an online popularity contest for new product ideas. The participants saw short lists of proposed toys, six at a time, and clicked on the ones that sounded appealing. They'd rank their choices and, if they felt creative, suggest a new idea. These ideas were fed in turn, to other customers for popularity scoring against the ideas from Lego's own toy creators. The new suggestions, in turn, got creative juices flowing among still other players in the game. Virtual brainstorming you could call it.

With traditional focus groups, says Edmund Sarraille, chief executive of Informative, the software outfit in Brisbane, Calif. that handled the online effort for Lego, a consumer products company may miss the chance for a big move away from its traditional production line. Says he: "The corporation often misses the mark."

An online contest for product ideas is very democratic. The firm commissioning the game gets the ball rolling with some starter ideas but then lets the crowd have its way. Once the brainstorming heats up, there may be hundreds, or even thousands, of ideas in play. But it's best to have only half a

dozen to a dozen choices for one player to stare at. So the software dishes out small samples selected at random from the pile (see box, p. 79). But the selection is made with loaded dice. The ideas that get the most votes in early rounds are most likely to pop up on a screen in later rounds. Over time the popular ideas float to the top of the pile. Sarraille

**WORKING WITH HEWITT TO HELP YOUR EMPLOYEES
MAKE MORE INFORMED HEALTH CARE CHOICES WILL
RESULT IN WHICH OF THE FOLLOWING OUTCOMES?**

- A. YOUR COMPANY WILL SAVE MILLIONS.**
- B. YOUR COMPANY WILL SAVE MILLIONS.**
- C. YOUR COMPANY WILL SAVE MILLIONS.**
- D. YOUR COMPANY WILL SAVE MILLIONS.**

HR Outsourcing | Retirement & Financial Management | Health Care | Talent & Organizational Change

Hewitt

www.hewitt.com/realty

MAY WE

air

OUR DIFFERENCES?

Comparatively speaking, our customers enjoy an upper hand. They fly on the industry's youngest fleet. Their aircraft has the highest residual value. And with innovative products, they have a first hand look at the future of private aviation. Contact CitationShares. That's the one you want.



800.340.7767 x 121

CitationShares.com

N509CS

the starter ideas from inside the products company made up only 11% of the winning selections.

Informative is one of many consulting firms selling software that aims to turn customers into collaborators. "We're all trying to help companies shut out and listen to their customers," says E. Hesson, president of Informative Communispace, which recently helped Hallmark get real-life anecdotes from 1,000 customers to help jazz up its holiday box line of greeting cards.

It's no surprise that online feedback is catching on with consumer-goods companies: It's a lot cheaper than focus groups. To pull a face-to-face focus group together, a marketing firm might spend a head on cash inducements. But you can get thousands of online kibitzers joining in for no more reward than a T shirt, a bar of soap, or a bottle of Guin-

ness World Records—was introduced last month.

Intuit used Informative's technology during the 2003 tax season to improve its TurboTax tax-prep program. Many users blasted the program for being confusing. When Informative asked TurboTax customers more specifically what tripped them up, 18% of 1,200 respondents complained about the section on employee stock-purchase programs, something Intuit hadn't inquired about. Intuit's 2004 solution: Dramatically change the section by using fewer words, removing tax jargon like "purchase lot." Intuit circled back during the 2004 season to learn about the revisions. It listed "employee stock-purchase program" as a potential problem area; only 11% of 700 respondents griped after improvements were made.

Sometimes the research dialogue is used as a marketing tool. Informative often suggests companies engage consumer participants in ongoing online conversations. In one, called the Bose Information Exchange, avid fans hold forth on such arcane matters as how Bose's uMusic "intelligent" technology decides what to play next.

Still there are many challenges. Some marketers question whether online research might be biased. Informative is skewed to Internet users, excluding the less tech-savvy. Also, a company can't know for sure who is responding to its queries. (A single man, if so inclined, could say he is a married mother of two who buys disposable diapers.)

Most crucially: You may need thousands of volunteers in order to retrieve one really good product idea. Says William MacElroy, head of Socratic Technologies in San Francisco, another online researcher: "People are much better at reacting to ideas than creating them."

Roll the Dice

INFORMATIVE'S TECHNOLOGY WORKS

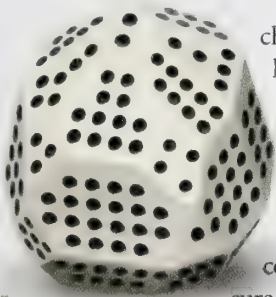
like this: Consumers offer up and vote on product ideas, and the software keeps a running tally. The software keeps a running tally for each idea, like a batting average.

The roster of ideas is constantly reranked from best to worst by average score.

The loaded die that determines which ideas should move on to the next participant is weighted according to a simple exponential formula. Say the best idea has a 1% chance of being picked. Number two has a probability equal to nine-tenths of number one's, or 9%. Idea number three would have an 8.1% chance and so on. Idea number 100 or even 1,000 faces. Roll the die a few times to get an assortment of ideas.

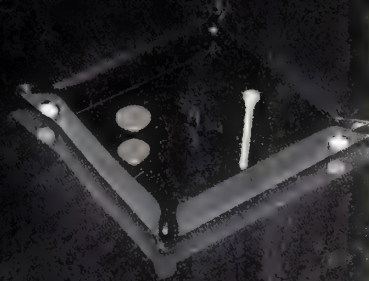
A random assortment means that you don't always get idea number one facing off against the same competitors. The probabilistic play gives better results than a head-to-head elimination tournament, in which the two best ideas always face off in the first round.

—A.F.



GENTLEMEN WANTED

You are cordially invited to join the Striding Man Society,* a group of individuals who share an appreciation for Johnnie Walker® and in turn enjoy access to unique offers and opportunities, plus a selection of member benefits. Register now and receive a Johnnie Walker® Valet Tray.



Make room on the dresser for your
Johnnie Walker® Valet Tray
while supplies last!
Go to johnniewalker.com/tray

JOHNNIE WALKER

Offer is open only to residents of the United States who are of legal drinking age in their state of residence. Excludes where prohibited by law.

PLEASE DRINK RESPONSIBLY
©2005 Imported by Heublein North America, Inc., New York, NY. Blended Scotch Whisky, 40% to 44% Alc/Vol.

THE OTHER IBM

IBM BUSINESS CONSULTING

HOW DO WE MAKE SURE INNOVATION
DOESN'T ONLY HAPPEN IN R&D?



IBM

Innovation



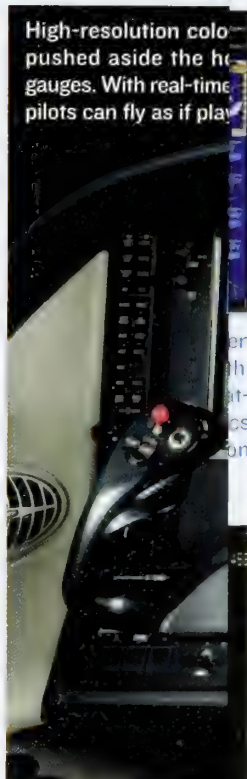
Flying Into Tomorrow

Commercial aviation is undergoing its most radical upgrade in 50 years. Small, fast jets for personal travel now cost less than \$2 million. The electronics inside luxury jets and corporate fleets are as good as those in a Boeing 777. And a new class of engine on the drawing boards promises to cut transcontinental travel time in half.

(Please turn the page for our special Innovation gatefold.)

Innovation

High-resolution color pushed aside the hazy gauges. With real-time pilots can fly as if play

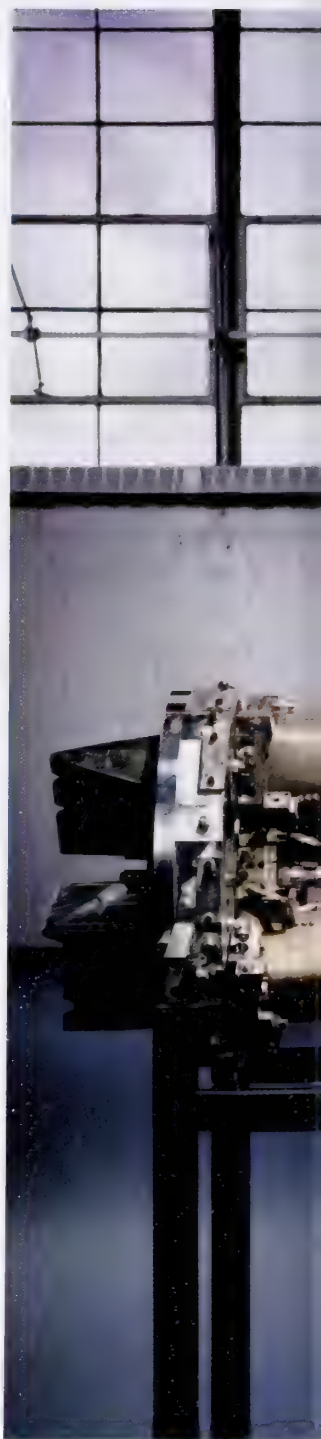


Fly

IT'S DRIZZLING on the Piper Meridian as it approaches the damp runway. The radio crackles: "Runway cleared for takeoff."

Twenty seconds later, the plane is airborne but blinded by clouds blanketing the horizon. The pilot, though, is relaxed. He's watching two 10.4-inch color displays showing weather patterns pop up on a map of the area. The graphical display of the terrain and altitude indicator (nose up/down) and speed, replacing the old-fashioned, convoluted mechanical dials. "It's a lot easier," says pilot James.

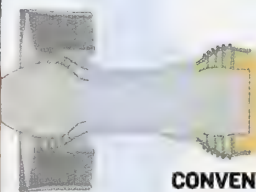
Small-piston aircraft are undergoing a radical technology developed for co



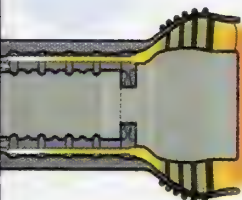
DAVID SCHIMMAN FOR FORBES. DIAGRAM BY JOHN MCCON FOR FORBES

The Up Engine

day's commercial a
azi-era technology i
from L.A. to Chir



CONVENTIONAL
JET ENGINE



HYBRID PDE ENGINE

future will be a hybrid of a normal jet
detonation engine. The PDE combustor,
be, will replace the intricate and costly
sor, turbine and combustor in today's jet
ss weight, complexity and fuel costs.

0s, when Nazi engineers
nd in World War II. U.S.
design received little at-
n-speed cruise missiles.
o give pulse detonation
" he says. "I wanted to
orate in aerospace engi-
garage. In 1992 he left
eld military contractor
rnment grants and built

another \$16 million and
llowed P&W's lead. Both
e same materials as con-
fleets. But if they are to
Airbus will have to re-
gines will likely be used
conventional supersonic
hipOne fame plans to fly
by the Air Force using

Shanghai. There's this
to cross the oceans and
he speed of sound at a
onment, people would

F

THE OTHER IBM

IBM BUSINESS CONSULTING



ntial.com

ial
l
ealth

MR. STARTUP

One Last Hurrah

At age 86 **ROBERT ROSS** still has outsize dreams. But can he attract enough nurse students to his new school in the Caribbean? By Luisa Kroll



HAVE ALMOST AS MUCH FUN as Donald Trump," says Robert Ross. Well, at least as much hot air. Ross claims he has been an entrepreneur for 73 of his 86 years. At age 13, he says, he made \$100 a week (that's in today's money) as a paper boy in Detroit. During World War II, Ross sold \$5 Mickey Mouse watches to Russian soldiers for \$1,000 each. He reckoning he was the first person to sell television sets in the Midwest. In 1960s, he says, he runs a \$100 million year commodities trading business called Eastern Europe. (The company does exist and has been around at least since the 1970s, when Ross was involved in several suits as plaintiff and defendant.) Ross is holding his business card, which reads: "Robert Ross, Lord of the Manor of Easton Lea, Northumberland." Turns out he received an honorary degree from Tennessee's Southern School of Optometry and paid six figures at a London auction for the British title, which dates back to Henry VIII.

One success he can prove: Ross' university, the controversial medical and veterinary schools he founded in the Caribbean in 1979 and 1982, despite having no experience in the medical or education fields. He built it into a profitable \$135 million (estimated revenues) institution with 1,700 medical and 1,000 vet students and then sold it for \$135 million in 2003 to Leeds Weld & Co., a private equity firm whose current chairman is former New York City Mayor Rudolph Giuliani. Giuliani planned to stay for a year but was bought out by the new chief executive, Tim



protection

growth

Growth and protection. The strong and steady approach to retirement. At Prudential Retirement.

Protect what really matters, and grow it with care. That's our approach to planning for retirement.

For decades, we've used our strength in insurance and investments to help people and organizations plan for retirement. Today, more than 3 million individuals choose Prudential Retirement to help them grow and protect wealth through every stage of the retirement planning cycle — from accumulating assets, to distribution and managing retirement income. And 7,500 institutions of all sizes rely on us for intelligent retirement plan solutions that address their administrative and fiduciary needs.

Growth and protection from a company that's stood the test of time. That's the strong and steady approach to retirement. That's Prudential Retirement.

THE-ROCK

www.prudential.com

Prudential Retirement

\$2.2 Billion in Client Assets Under Administration*

50+ Years of Retirement Experience

Defined Contribution Plans

Defined Benefit Plans

Qualified Plans



Prudential Financial

Growing and Protecting Your Wealth

ter. "I didn't believe what he was telling me about substantive things," says Foster, who won't elaborate. Ross claims the dispute was over the new owners' not showing him proper respect as the founder. In any event, he wasn't ready to retire. "I play golf one day a week, I don't play cards and I'm too old for broads," he says.

start his own nursing program. He named as president his son Warren, a lawyer who was vice president of Ross University for 23 years and ran most of its operations, admissions and marketing. Ross pushed his son to open International University of Nursing by early 2005. "Warren lost a lot of weight," he says.

Paradise without people: Ross' nursing school in St. Kitts is set up for 900 students. It has 55.



Today he is hoping for one last hurrah. "I want to build one of the world's largest nursing programs," says Ross. He is off to a fast

start, having spent \$500,000 for 10 acres on the Caribbean island of St. Kitts in June 2004 and completed a 50,000-square-foot campus. A couple of problems: The school, which offers a two-year associate degree, has no accreditation yet (Ross can apply for eligibility a year after his first class has graduated) and not enough students.

Ross got on to this idea because of the acute shortage of nurses in the U.S. In 2002 the Department of Health & Human Services reported this country was 125,000 nurses shy, a deficit that would grow to 500,000 by 2015. Ross began recruiting nurses overseas on behalf of hospitals and nursing homes but ran into long waits for H-1B visas, language issues and competition with hospitals themselves. When Ross learned that associate nursing programs rejected 87,000 applicants, he decided to

"I play golf one day a week, I don't play cards and I'm too old for broads."

The school has signed up 16 faculty members and administrators, offering competitive salaries (\$70,000 to \$80,000 a year) and a tax break: Under Section 911 of the U.S. tax code Americans working abroad for 13 months or more can exclude up to \$80,000 a year of income from U.S. tax. There are state-of-the-art labs, a 210-seat auditorium, 20 plasma screens and four SimMan human simulators, costing \$30,000 apiece, that make coughing, vomiting and moaning sounds and exhibit such symptoms as tongue edema caused by a blocked airway.

But where are the students? Since the school opened in May, 55 people have enrolled; the campus can accommodate up to 900. One reason is the hefty tuition—\$8,100 a semester, or at least four times the in-state tuition of an associate

degree at a U.S. community college. (The highest-paid nurses tend to have a master's degree.)

A further wrinkle: St. Kitts doesn't have enough sick people to allow students to complete their required clinical rotations. To solve that one, as well as to permit his students to take the national nursing exam after graduation and get a license to practice in the U.S., Ross' school must partner with community colleges that offer associate degrees in nursing, pushing students stateside for two of their first semesters. Although he sent e-mails and letters to 800 colleges, Ross has found only one partner: Seminole State College in Seminole, Okla. He nabbed the cash-strapped school by agreeing to pay tuition of \$4,500 a year per student, plus an unspecified fee (and pocketing the difference). Two other schools, in Texas, have pulled out temporarily because the state mixed the arrangements for now.

Some students, like Peggy Chin, a former health care worker at a New York City fertility clinic, seem happy in St. Kitts. While she took all the prerequisites for nursing school in the U.S., she would have had to be on a two-year waiting list. The program is attracting mostly international

students who believe it will provide a route to the U.S. Here, too, there have been holdups: delays in obtaining visas and getting approval for student loans.

So far Ross has footed the entire bill for his latest entrepreneurial fling, \$20 million and counting. According to Leeds Weld, the firm that bought Ross University, the broker representing Ross called, looking for investment capital. No dice. Ross claims that none of this ever happened.

Not that he's giving up. To boost visibility in the U.S., Ross is running a poster campaign in 40,000 colleges and high schools this fall. In September he changed the school name to the Robert Ross International University of Nursing, hoping to cash in on his reputation. "It will be a bigger success than Ross University," he insists. He should live so long.

A close-up, black and white photograph of a woman's face, looking slightly to the side with a subtle smile. The image is the background for the top half of the advertisement.

~~International shipping is too complicated.~~

~~I don't know anything about customs forms.~~

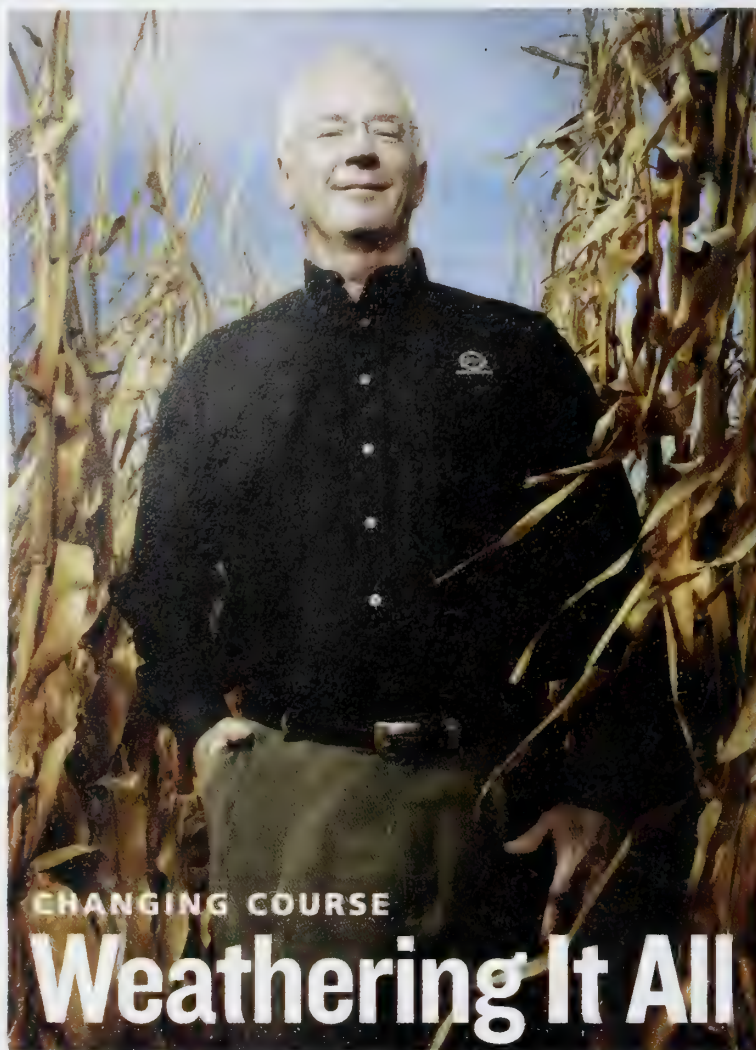
International shipping is a fad. Just like indoor carpeting.

If you're still not using FedEx, you're running out of excuses.

Don't worry about international shipping. Just call FedEx and we'll do the rest. With FedEx you can ship almost anything from documents to freight. And we offer more delivery choices to Asia — from economy to priority. We'll even help you with all of the paperwork and customs clearance. Take your company global — now there's no reason not to. Go to **fedex.com** to see how easy international shipping can be.

FedEx
Express

Relax, it's FedEx



CHANGING COURSE

Weathering It All

Third time's a charm for this little data provider. Or is it? By Emily Lambert

LONG BEFORE THE INTERNET REACHED THE HEARTLAND, there was the DTN terminal, a modern-day *Farmer's Almanac*. Privately held Data Transmission Network of Omaha started in 1984 as a unit of grain giant Scoular and went public in 1987. It offered an FM antenna, a video monitor, news, weather maps and delayed commodities market quotes to farmers and, later, to folks in financial and energy services. Basic subscriptions in the mid-1990s were \$26 a month. A satellite connection cost an extra \$7 and color displays an additional \$20.

By then, however, the world of technology had turned a few times, and the DTN was wobbling out of orbit. In 1998 the company lost \$4 million on \$149 million in revenue. It groped for a way out of its impasse, trying three different strategies. Now, says Chief Executive Robert Gordon, 57: "I think the company is clearly out of the woods."

After felling many trees, that is. Its first attempt to clear a path was to get lots of new customers. That meant selling information to virtually anyone—inventory-tracking data to car dealers, load-

"The company is clearly out of the woods": Robert Gordon.

matching service to truckers, coupon-printing kiosks to grocery stores and fire-alert information to forestry services. Nice try: Within a year the company had a net gain of 7,600 subscribers but lost 4,500 of its core group of agricultural customers. Most information was then available free of charge on CNBC, the Weather Channel or Web sites run by *Farm Journal* and Pioneer, a seed and plant genetics division of DuPont. Result: a moneylosing 1999. DTN's stock fell 38% that year.

A fund run by the New York City private equity firm Veronis Suhler Stevenson came to the rescue—or so it seemed. In the spring of 2000 it led a \$475 million buyout of the company. With new owners came a new plan: Split DTN into four divisions (agriculture, energy, weather and financial services) to get a better handle on subscribers.

Alas, that didn't work either. Staffing up four separate companies took too long and cost too much, says Gordon, who was drafted in 2001 to run the weather division. (He had just sold a data warehousing company to Oracle.) By 2003 sales were down from their 1998 level, and DTN, while it had an operating profit (in the sense of net before interest and taxes, depreciation and amortization), was short of cash and wound up in Chapter 11. In a prearranged reorganization, creditors tore up \$115 million worth of notes and got in return all but 3% of the equity. DTN was out of bankruptcy court six weeks later.

Time for plan number three. Gordon, who became president in January 2004 and chief executive that July, gradually chopped head count by 16% to 675, cut redundant departments and embraced the Internet. From now on, he insisted, the company would push to sell proprietary information to those willing to pay a premium. Half of DTN's 17,000 weather subscribers now pay \$100 a month, an average 15% jump, for customized, hourly Webcasts based on more-precise computer models—useful to customers like Union Pacific and the Indianapolis Motor Speedway. Ag customers, who already receive weather reports, commodity quotes and breaking news, are paying upwards of 50% more for more-detailed analysis of such issues as Asian soybean rust and avian influenza. Gordon is luring more energy clients with such services as an online exchange where refiners can establish fuel prices in real time, rather than send out a price list once daily, and can verify the credit status of potential customers.

Impressive results so far. Last year DTN had operating income of \$50 million on \$140 million in sales. In March 2005 it refinanced \$165 million of debt with Goldman Sachs, which underwrote and marketed a deal that reduced DTN's interest cost from 10% to 7.25%.

How long before bigger data rivals—Reuters, for example, which is a partner—force a fourth plan? Gordon may not be around to find out. Word is that DTN is now looking for a buyer. **F**

BE HERE FASTER

Marriott REWARDS.

BE HERE 30% FASTER
THAN WITH OTHER
HOTEL PROGRAMS.*

With Marriott Rewards,[®] you need fewer points to get to your dream destination than with other leading hotel programs. With more than 2,500 hotels participating, we offer more resorts, spas, and golf locations than any other hotel program. And now, for a limited time, you can earn Double Points when you pay with any Visa[®] card. So dream big. Fast.

Marriott HOTELS & RESORTS



JW MARRIOTT.
HOTELS & RESORTS



RENAISSANCE.
HOTELS & RESORTS



Sign up at MarriottRewards.com
or call 1-800-367-6453.

* Based on seven nights at Starwood, Hilton, InterContinental Hotels Group, and Hyatt full-service hotels of similar quality and points earned on dollars spent. Assumes standard award rates only for base-level members. All comparisons are in U.S. Earn Double Points between 10/1/05 and 10/31/06 beginning with the weekend of 9/26/05 and stay 10/1/06 or longer. Visit MarriottRewards.com for full terms and conditions. ©2005 Marriott International, Inc.

Space Race

The Nishikawas used to make No Parking signs in Tokyo. That triggered a more profitable idea | By Tim Kelly

IN JAPANESE CITIES, WHERE MOST roads are too narrow even to allow room for a sidewalk, parking restrictions are rife and spaces scarce. Park24, Japan's leading operator of all-day automated parking, is gearing up for a surge in demand when a clampdown on illegal parking begins next summer.

Kiyoshi Nishikawa established the Tokyo company in 1971 as a signmaker and parking lot equipment supplier. He noticed that he was selling an awful lot of No Parking signs, as more cars flowed onto Japan's crowded roads. So 14 years ago he switched gears, taking up the business of managing parking lots.

Conveyor-belt parking systems that whisk cars up into windowless multistory boxes have done little to ease the crush, while underground lots dug beneath cramped streets have failed to unclog the thoroughfares above. Parking simply hasn't kept pace with car ownership. With ten times as many people per square mile as the U.S., Japan has 74 million vehicles on its roads, 10 million more than a decade ago. But no matter to Park24—that has helped push annual revenue to \$429 million. Net income is up 49% in the past three years under the management of Nishikawa's son Koichi. (His father died in July.)

According to Park24, the shortfall nationwide may be as many as 6 million spaces, forcing about 150,000 cars and trucks to park in restricted areas at any given time on a typical weekday in Tokyo. For many Japanese motorists a trip into town or a visit to friends or relatives means a tedious hunt for somewhere to leave the car or taking a chance on park-

ing illegally. Parking distress hasn't escaped the notice of carmakers, including Toyota Motor, which is coming out with cars that will park themselves in a tight spot using positioning software. The company added Intelligent Park Assist to its Prius hybrid in 2003.

The response by a government more eager to build roads than parking spaces in cities already interlaced with expensive elevated expressways? A crackdown on violators. In June thousands of parking wardens from private security firms and other

pany had 110,000 spaces at the end of April, compared with 35,700 in 2001.

"There is a serious imbalance in supply and demand," says Tomoyuki Saitoh, assistant manager at Park24's planning department. "The situation we have now is that if we provide spaces, people will park there."

Automatic parking barriers that stop customers from driving off without paying mean the company can operate these lots 24 hours a day, while use of off-peak discounts and rates charged for every

10 to 15 minutes rather than for a full hour have helped attract customers. For a quarter-hour stay in Tokyo the company typically charges about \$1.

There is a hitch, however. Japan's economic revival may end more than a decade of falling land prices, during which real estate values in some areas have slumped by more than two-thirds. Landowners keen to cash in may be tempted to end their

Tight squeeze in Tokyo: Park24 is gearing up to exploit new restrictions next summer.



companies licensed by the police will begin patrols in Tokyo and other cities in a nationwide hunt for illegal parkers, who risk a \$105 fine if found. According to Japan's National Police Agency 11,400 would-be wardens have already qualified for the job. Authorities brought in \$175 million in parking fines last year.

Park24's answer to the dearth of supply is a model since copied by rivals: Rent small parcels of vacant land squeezed between "pencil" buildings and convert them into parking lots. Some wide enough for only two or three cars are made easy to spot with big yellow signs with the company's "Times" logo in black. Those small lots add up. The com-

business with Park24 and build higher-rent offices or stores.

To counter, Park24 is busy persuading supermarkets, banks and other businesses less likely to sell out to let it convert their daytime parking spaces into round-the-clock lots in return for a slice of the revenue.

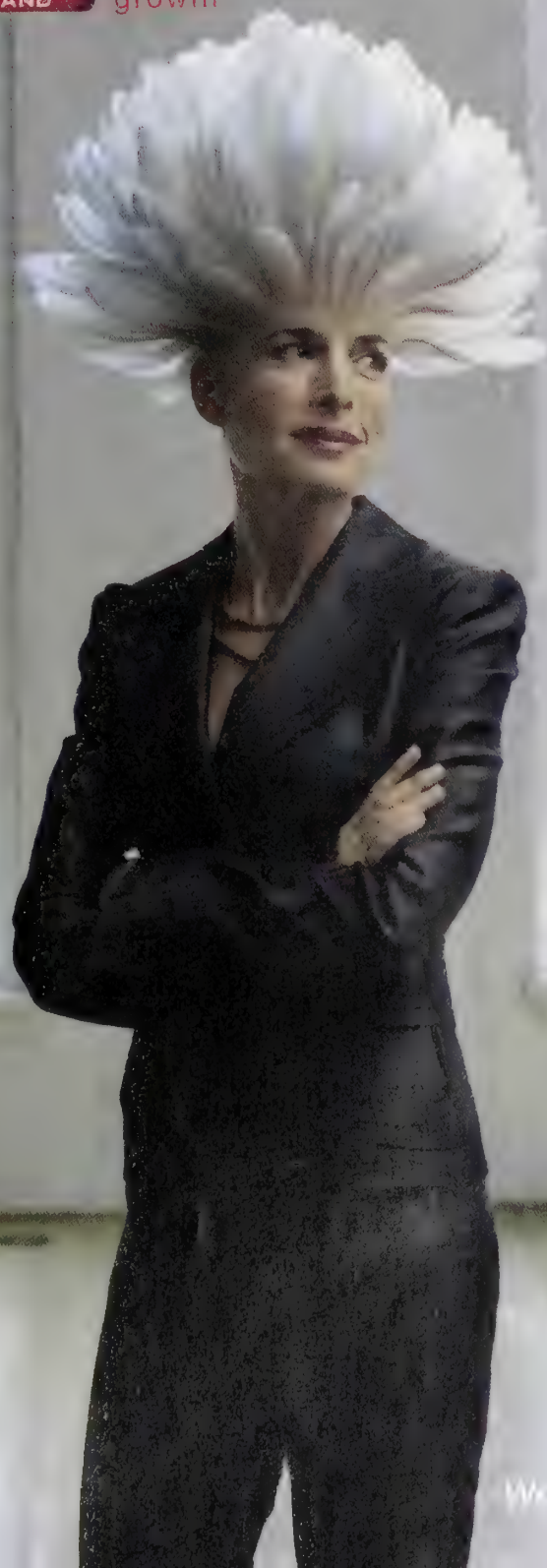
The company has also introduced a rewards system and monthly billing to help it retain customers. A park-and-charge service lets the rare customer who owns an electric-power car plug in and recharge while shopping.

Safe bet: more cars of all kinds. Park24 predicts a sales gain of 50% over the next three years.

Maximize Manufacturing. Maximize Whatever line of business you're in. Verizon Broadband can help it blossom. Visit broadband.verizon.com and give the world a different view.

VERIZON BROADBAND

growth



VERIZON

We

Welcome to the most powerful two-person financial firm in the world. You and us.



Imagine a global financial firm with the heart and soul of a two-person organization. A world-leading wealth management company that sits down with you to understand your needs and goals. An award-winning global investment bank and premier global asset management business dedicated to giving you the most personal attention at every level. At UBS, we work to make all this a reality, every day. Using all our resources as one of the world's largest financial institutions to create opportunities for you. But always taking the time to understand your needs, so you can exploit those opportunities with confidence. Global financial resources, intimate financial understanding. You and us. Think of it as the most powerful two-person financial firm in the world. www.ubs.com

Wealth Management | Global Asset Management | Investment Bank

You & Us



Yellowcake financier Mitchell digs into his favorite confection.

Money & Investing

MONEY MAN

Going Nuclear

Atomic power is coming back, so Robert Mitchell is investing in everything from uranium mining to reactor building | By Tatiana Serafin

MONEY MANAGER ROBERT MITCHELL HAD TURNED RADIOACTIVE IN, OF all places, a meeting of uranium suppliers and buyers. Attendees were leery of him. The moderator dismissively introduced him as a representative from those strange entities called "investment funds, hedge funds, whatever." His speech about nuclear investing, delivered with energetic verve, drew tepid applause. Afterward Mitchell sighed and said, "They don't want me here." Reason: Industry regulars

fear he will somehow take advantage of them, as nukes finally are coming back to life and uranium prices soaring. Some of their leeriness is cultural—a fast-talking money guy horning in on an insular society. This Santa Fe conclave, near the atomic haven of Los Alamos National Laboratory, has for years been a clubby group, suspicious of outsiders.

Following the 1979 near-meltdown of a reactor at Pennsylvania's Three Mile Island, the nuclear power industry suddenly had all the appeal of Dr. Strange-love in his doomsday bunker. The 1986 explosion at the Soviet Union's Cher-

num ore (called yellowcake) has doubled from a year ago, to \$33 a pound.

And there's more growth ahead, says the ever-enthusiastic Mitchell, who buys both uranium and stock in companies that use it. Worldwide, 30 new atomic plants are under construction in 11 countries; the global inventory of 441 plants has hardly budged for years. Of the 103 existing units in the U.S., 13 are getting upgraded; in addition three consortia are seeking licenses for new plants. Antinuke activists have lost a lot of their old fire and clout (see "The Silence of the Nuke Protesters," Jan. 31). Mitchell and

oxide of uranium metal, went for \$45 pound in the 1970s (that's \$137 in today's dollars), until TMI and Chernobyl sent the price skidding. After a small recovery it got slammed anew by the collapse of the Soviet Union in the 1990s. Russia, eager for cash, flooded the world with its vast stores of yellowcake, and many producers in the West were forced out of business. The price hit a low of \$10 in 2000.

For individual investors the way to play the nuke sector is via stock in companies like Cameco. Forget owning uranium itself. There's no yellowcake future

Nukes look good today amid rising oil prices and shortage fears.

nobyl plant made the business even scarier. Before Three Mile Island, plans were under way for 50 more nuclear plants in the U.S.; in the wake of the accident all those plans were scrapped. The nuke crowd learned to hunker down.

You'd think they would have been happy to see Mitchell in their midst since his presence signals a shift in the nuclear industry's fortunes. Amid surging oil prices and talk of fossil fuels running out, nukes have lost a lot of their taint. The industry's stocks are hot, up between 44% and 153% over the past 12 months. Companies from miners to reactor makers are now showing double-digit sales increases. The price of concentrated ura-

others expect to see \$45 uranium in the next two years.

Mitchell has stocks in four veteran nuke companies and one upstart, UEX, on his buy list, but steers clear of two fledgling issues and one former government entity, USEC (see table). Yes, the run-ups on some industry stocks make them pricey: Canada's Cameco, which does everything from mine uranium to run plants, trades at 68 times trailing earnings. But he contends the industry's growth prospects are so good that the shares are fairly priced. That's much like arguing in the late 1980s for buying newly public Microsoft despite its high P/E.

Yellowcake, which is chemically an

market. Mitchell's Portland, Ore. hedge fund, Adit Capital (assets: \$50 million) has to physically store the material, a dauntingly costly and worrisome undertaking. That means paying for lead-lined storage, security, insurance.

One reason the price of uranium should keep escalating is that producers are only starting to ramp up to meet the strong demand. Utilities globally need 180 million pounds of uranium annually, but at this point a mere 108 million pounds are coming out of the ground. The difference has been made up from utility stockpiles and Russian reserves. Nobody knows, however, how much the Russians have, and supply agreements

Glowing Investments

Mitchell likes the first five, despite high multiples, because of their growth rates. But he thinks the bottom three are best avoided.

COMPANY/Country	PRICE		P/E	BUSINESS
	RECENT	52-WEEK HIGH		
PICKS				
AREVA/France	\$445.33	\$576.62	27	all-purpose, from mining to reactor building
CAMECO/Canada	48.12	56.24	68	all-purpose, from mining to running nukes
MITSUBISHI HEAVY/Japan	3.78	3.91	NM	steam turbines
UEX/Canada	3.20	4.25	NM	mining
UNITED HEAVY MACHINERY/Russia	5.05	5.70	7	reactor parts
PANS				
PALADIN RESOURCES/Australia	1.49	2.00	NM	mining
STRATHMORE MINERALS/Canada	1.23	2.42	NM	mining
USEC/U.S.	10.04	18.69	37	enrichment

Prices as of Oct. 28. Figures in U.S. dollars. NM: Not meaningful.

Source: Reuters Fundamentals via FactSet Research Systems.



SOME SAY THE BRIDGE WILL TAKE TOO LONG TO FINISH.
SOME SAY THE BRIDGE COULD JOIN TWO CULTURES.
WE SAY POUR THE CONCRETE.

We don't back down from risk, we embrace it. We insure vision. We insure Construction. Contact Fred Lapointe at 972-465-7854 or visit us at acelimited.com



ace group

20 YEARS OF INSURING PROGRESS®

with them expire in 2013.

The uncertainty surrounding uranium supply has many industry hands wondering if sharpies like Mitchell will screw them. Last December Mitchell bought 100,000 pounds of uranium for \$19.50 a pound and has been sitting on it as it appreciates. Industry newsletter *FreshFuel* labels Mitchell's endeavors "speculative" and portrays him as someone who doesn't care what the industry thinks. "They think I'm an opportunist," says Mitchell.

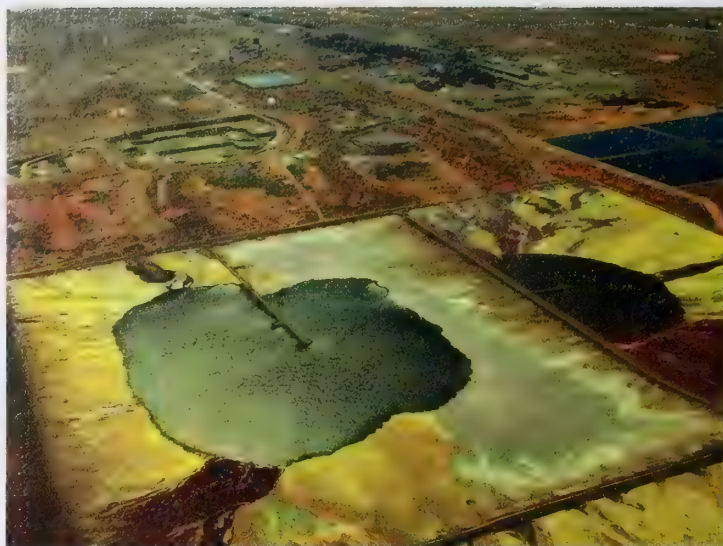
In fairness, he has hardly cornered the uranium market. Adit controls 2 million pounds, and two other funds have 4.5 million between them.

Mitchell, 51, formed Adit only last year, after a long career in institutional sales. He noticed that nuke industry behemoth Cameco was locked into long-term uranium contracts of \$15 per pound when the spot price was moving much higher. Cameco, France's Areva and Britain's Rio Tinto among them control 60% of the world's uranium supply, so he pondered if they understood that the rising prices weren't a blip.

What convinced him that this was a trend with legs was a visit to a tiny Texas mine called Vasquez, whose anticipated 400,000-pound yearly output was a pittance. Buyers from two huge utility companies, Duke Energy and Dominion Resources, were on hand. He wondered: Why were these big utilities showing up at such a small mine if they weren't fretting about supply?

A quick study, Mitchell got up to speed on nuclear arcana and scraped capital together from wealthy investors. Ironically, his choice of investment target is as out of place in green-crazed Portland as he was at the Santa Fe conference. His office is not far from the old Trojan nuclear plant, closed in 1992.

Adit aims to put 70% of its assets into uranium, the rest into nuclear companies. These range from miners, such as Canada's UEX, to suppliers of turbines



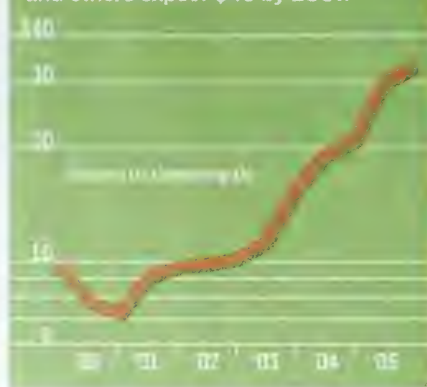
Hot property: the huge Olympic Dam uranium mine in Australia.

and other plant gear (Japan's Mitsubishi Heavy Industries and Russia's United Heavy Machinery) to the all-purpose giants (Cameco and Areva). The last two run the gamut from mining ore to building reactors to making fuel rods. Mitchell doesn't favor Rio Tinto as merely a minor part of its operations is in nukes.

Cameco leads Mitchell's recommended list because it is the "Saudi Arabia of uranium." Cameco controls 20% of world uranium supply from mining to production and is widely respected by industry insiders. Cameco also runs four Canadian nuclear reactors through its investment in Bruce Power. Earnings are off 44% for this year's first three quarters, to \$116 million, a lot of that stemming from higher exploration costs. Meanwhile sales are up 15%, to \$675 million.

Chain Reaction

Uranium prices, now \$33 a pound, have exploded in recent years. Mitchell and others expect \$45 by 2007.



Cameco's stock has risen 83% year to date.

He is high on all-purpose Areva for similar reasons, despite its lofty (27) P/E. For the year's first half, Areva's net income rose 34% to \$363 million on \$6.5 billion in revenue. Areva controls one of the most lucrative uranium deposits in the Athabasca Basin in Saskatchewan, a province accounting for 30% of global uranium production. French public-sector entities, with a 95% stake in Areva, have pushed fully privatizing the in-

vestment. In bulls' eyes Areva's tiny float makes it all the more desirable.

Mitsubishi Heavy, which makes things like ships and air conditioners, has run in the red lately. Rising steel prices and a ruinous fire in a shipyard are blamed. Its nuclear unit is doing well, however, with new contracts for plants throughout Asia. It projects black ink for the fiscal year ending March 2006.

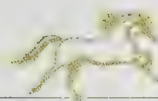
But Mitchell says shun the "juniors," as they're known in the trade. These new mining firms, like Paladin Resources and Strathmore Minerals, have yet to show earnings or revenue. Mitchell also dislikes USEC, the lone domestic uranium enricher, formerly government owned. He labels its gaseous diffusion technology "outmoded" (centrifuges are the way to go) and says USEC hasn't financed its \$1.7 billion American Centrifuge project still under regulatory review.

Fifty years ago, at the dawn of nuclear power, Wall Street was in the grip of a uranium-mining fever, with stocks and even mutual funds cropping up to take investors' money. Those hot stocks turned out to have a half-life not much longer than iodine-131's. Why will it be different this time? Mitchell says this is not an investment craze like in the 1950s, or in the 1990s with the Internet. He expects prices to stabilize over the long term as the world's ample uranium supply comes on line. "The world is not running out of uranium. It's everywhere."

2 HFI -0.14 VISITS TO GRANDDAUGHTER -1.75 CJO -0.1



investments we value most cannot be found in a portfolio. That's why we at Marsico Funds focus on achieving long-term results. Because all of us want to experience more of what matters most in life. Life itself. You should consider the Funds' investment objectives, risks and charges and expenses carefully before investing. For a prospectus, which contains and other information about the Funds, call 888-860-8686 or visit marsicofunds.com. Please read the prospectus carefully before investing. **Value fund investing involves risks, including the possible loss of principal.** Ticker symbols are fictitious and do not refer to existing securities. © 2005 Marsico Capital Management, LLC. UMB Distribution Services, LLC, Distributor.



**MARSICO
FUNDS**

Helping you appreciate life

Nation Building

The fellow who'll run Harvard's endowment, Pimco's Mohamed El-Erian, has a message about emerging market debt: It's not too late to get in | By Michael Maiello

EMERGING MARKET BONDS HAVE returns not unlike those of junk: long stretches of fat yields punctuated by the occasional catastrophic loss. You might recall Russia's \$26 billion default in 1998 and Argentina's \$80 billion default in 2001.

Recently the excess returns on surviving bonds have more than made up for defaults on the stinkers. For the past five years the sovereign debt of nascent economies has performed handsomely overall. Climbing commodities prices, particularly for energy, confidence-inspiring reforms in some (though hardly all) places and still-low U.S. interest rates have

propelled these bonds' total returns far past those of American debt and equity.

In 2005 bonds from countries like Hungary, Brazil and Turkey collectively have returned 7% versus flat returns for both Treasuries and the S&P 500. Recovering Russia's bonds are up 10%. Argentina, with a much-improved economy but still shaking off its deadbeat act, is down 3%. Over the past five years the benchmark JPMorgan Emerging Markets Bond Index Global, which tracks government bonds from 18 nations, is up an average annual 12.6%, while Treasuries delivered 7.9% and the S&P 500 lost 1.8%. (All these numbers include reinvested dividend and

interest payments.) Even the worst-performing mutual fund in the sector, the just-liquidated Van Kampen Emerging Markets Income Fund, returned an annual 6.3% since 2000.

Although you can buy individual emerging market bonds yourself, you shouldn't. This arena is pockmarked by gaping bid-ask spreads that will swallow you whole. Minimum purchases are often as high as \$500,000, which makes diversifying very expensive on your own. You need at least a dozen countries in the portfolio.

A mutual fund is a better idea. We have culled five of the best long-term per-



El-Erian flanked by successors Curtis Mowbourn and Michael Gomez.



*In this ever changing world
Singapore Airlines, you're a great way to fly*



SINGAPORE
AIRLINES

A380

SINGAPORE - TAIPEI - HONG KONG - TOKYO - SEOUL - FRANKFURT - AND OVER 53 MAJOR CITIES

singaporeair.com

formers for you (see table). Three of them, sad to say, have loads, so if you buy them, you'd best hold on for ten years to amortize the sales charge. On the plus side, their yearly expenses (as a percentage of assets) are all at or below the 1.5% average for international funds.

Lately U.S. investors have woken up to the missed opportunities. Investors sent \$3.5 billion into emerging debt mutual funds during 2005's first half, versus \$2 billion for all of 2004, according to Cambridge, Mass.' Emerging Portfolio Fund Research. Isn't there a risk that someone buying today is getting in at the top?

That risk exists, but you can take heart from the guy who is the best at emerging debt investing. Mohamed El-Erian has turned in a masterful performance as head of Pimco's \$3 billion (assets) Emerging Markets Bond Fund since he started in 1999. He has clocked an 18.8% annual return over five years. And he says it's not too late to participate, if you are selective about which countries get your money. At the moment, he says, Argentina and several countries in eastern Europe are particularly bad buys.

El-Erian points out that since 2000 Moody's and Standard & Poor's have issued twice as many upgrades as downgrades. Even if prices for oil and other

debt and recession persuaded him trouble was brewing. So as not to tip off competitors, El-Erian sold the bonds only within Argentina, a bit at a time, using brokers there who peddled the paper to the nation's pension funds. The next year, when the country decided it couldn't be bothered to honor its promises, the Pimco fund returned 27.6%. The fund has a weighted average maturity of 11 years, with holdings ranging from the 2.3% bond from the U.S., due this December, to 9.4% paper from Venezuela due in 2034.

Faraway Places

These fine-performing emerging debt funds even did well in 2001, when Argentina defaulted.

FUND	TOTAL RETURN			ANNUAL EXPENSES PER \$100
	YEAR TO DATE ¹	5-YEAR ANNUALIZED ¹	2001	
MAINSTAY GLOBAL HIGH INCOME-A	8.8%	15.4%	13.6%	\$1.53 ²
MFS EMERGING MKTS DEBT-A	10.9	17.9	21.9	1.41 ²
PIMCO EMERGING MKTS BOND-A	9.3	18.8	27.6	1.25 ²
SEI INTERNATIONAL EMERGING MKTS DEBT-A	11.9	16.8	12.3	1.35
TCW GALILEO EMERGING MKTS INCOME-I	6.3	15.5	16.2	1.20

¹Performance through Sept. 30. ²These funds charge sales loads: MainStay (4.5%), MFS (4.75%), Pimco (3.75%). Sources: Lipper; Forbes.

Before joining Pimco, El-Erian, 47, had followed emerging markets as an economist at the International Monetary Fund and then as a money manager for Salomon Brothers. His protégé, Michael Gomez, 33, who will become the Pimco fund's lead manager when El-Erian leaves, spent time trading emerging debt for Goldman Sachs. His hairiest moment there was when Argentina defaulted. "It

the *riesgo país*) for the JPMorgan index is now 2.4 percentage points.

Ex-Soviet bloc members of the European Union are enjoying tiny spreads because of a halo effect from the wealthy established members: Poland's government issues yield only 0.4 points over Treasury and Hungary's only 0.6 points. Even Turkey, recovering from an economic slump and eager to get into the EU, has bonds yielding only 2.4 points more than Treasuries. El-Erian decries "the market's romance with EU convergence."

But El-Erian is willing to take

chance on Ecuador, which is now suffering from political turmoil and from protests that crimped oil production last summer; it is nonetheless able to enjoy a tax bonanza from \$60 crude. The risk premium there is 6.5 points. Petroeconomics also attracts him to Russia, whose oil tax income has let it build huge cash reserves. If Russia ran into a rough patch, it could dip into a \$160 billion kitty to pay interest.

The Pimco fund won't touch Argentina, which earlier this year launched an ill-received debt restructuring. With the bonds underwater, MFS Emerging Markets Debt Fund is taking the big chance that the cheap securities will rebound. The MFS fund has 9.3% of its portfolio in Argentina. Other investments have carried MFS to a nice 10.9% return this year.

Most emerging market funds focus on sovereign debt. TCW Galileo Emerging Markets Income has a swatch of corporate issues, such as Argentina's Banco de Galicia y Buenos Aires. Unlike Pimco and MFS, TCW Galileo gets by without a load. **F**

"The market's romance with EU convergence" overvalues the likes of Turkey.

raw materials dip, he argues, demand is sufficiently strong to keep emerging debt aloft. Bond-issuing governments have ridden the commodities wave and built up reserves to ward off defaults if economic downturns come.

El-Erian, who early next year will leave to take over Harvard's endowment, was canny enough to sell off his Argentinean bonds in 2000, when they were still riding high and made up one-fifth of the JPMorgan index. But the country's high

was incredibly exciting," he recalls drolly. His cohort will be Curtis Mewbourne, who among other things has run Salomon's emerging markets trading desk in London.

El-Erian's strategy is a balancing act designed to avoid the next Argentina while taking enough risk to rack up decent returns. He believes some emerging debt is overvalued, with spreads to ten-year U.S. Treasury yields too narrow. The composite spread over Treasuries (in traders' lingo,



Don't hesitate to reach for it.

Your company's IPO. The most crucial moment in its history.

Who else would you trust with that?

Global Banking | Global Capital Markets | Global Transaction Services

citigroup 
corporate and
investment banking

2004 biggest IPOs

2/3/04 = 100, equal weighted

Biggest IPOs 2004

The FORBES new-issue index is an equal-weighted index of the 25 biggest new issues of 2004. Issues were added to the index at their closing prices on their first day of trading. From Feb. 3, 2004 (when the first of the 25 went public) through Oct. 14, 2005 the index was up 37%. The S&P 500 was up 4%.

The 25 biggest new issues accounted for nearly two-thirds of the \$32 billion raised in 2004.

BIGGEST IPOs	PERFORMANCE FROM FIRST-DAY CLOSE	
	ACTUAL	REL TO S&P 500 ¹
ADVANCE AMERICA CASH	-34%	67
ASSURANT	48	140
BILL BARRETT	17	117
BRISTOL WEST HOLDINGS	-20	77
BUCYRUS INTERNATIONAL	85	169
CALAMOS ASSET MANAGEMENT	23	116
CB RICHARD ELLIS GROUP	163	252
COGENT	31	122
DEX MEDIA	39	128
DOMINO'S PIZZA	62	152
DREAMWORKS ANIMATION	-31	66
FOUNDATION COAL HOLDINGS	63	163
FREESCALE SEMICONDUCTOR	52	141
GENWORTH FINANCIAL	60	150
GOOGLE	195	271
GREAT WOLF RESORTS	-57	44
INTERLINE BRANDS	20	121
IOWA TELECOM SERVICES	-18	82
JACKSON HEWITT TAX SERVICE	35	129
KINETIC CONCEPTS	31	126
LAS VEGAS SANDS	-33	68
NALCO HOLDING	-2	97
NAVTEQ	102	181
TRW AUTOMOTIVE HOLDINGS	3	98
UAP HOLDING	11	110

Performance figures are through Oct. 14. ¹The ending value of \$100 invested in the stock, divided by the ending value of \$1 invested in the S&P 500.

Update

By Andy Stone, Scott DeCarlo and Shlomo Reifman

ADVICE TO INVESTORS WHO WANT TO GET IN ON THE NEXT GOOGLE: BUY NEW ISSUES WHEN THEY'RE scarce. That's the clear lesson that emerges from data on initial public offerings, which we have been tracking for the past two decades. The ones that are most likely to beat the market are the ones that come out in years without a lot of other new issues. The median loss of the 340 new issues that crowded the calendar in 2000, for example, was 82%, versus a median 18% loss for the S&P 500, from Jan. 24, 2000 through Oct. 14, 2005. The lean crop in 2004, by contrast, did pretty well: These 169 companies have delivered a median gain since their offering dates of 11%, versus 4% for identically timed hypothetical investments in the S&P 500.

In this database we include only offerings of shares priced at \$5 or more that raised at least \$5 million. Also: We measure performance not from the offering price, which as often as not is available only to the well-connected on Wall Street, but from the close on the first day of trading. DreamWorks, for example, went public at \$28 but closed its first day at \$38.75. From that first-day close it has since declined 31%.

This year is shaping up to be a moderately busy one for underwriters. Through mid-October 2005 brokerage firms floated 113 companies and raised \$20 billion, which is close to the \$23 billion for the same period last year. The explanation for the small falloff, according to Greenwich, Conn.'s Renaissance Capital: In 2004 investment bankers worked off the backlog from the prior lean years.

You might expect the hottest stocks to come from the smallest companies, but that's not the recent pattern. We separately evaluated the 25 new issues from 2004 that raised the most money. This crop of mostly bigger companies has delivered a median return since first-day close of 31%. Google, up 195% from its \$100 first-day close, is in the big-issues group. The performance of the 25 new issues from 2004 is tracked in the graph on this page.

It's too early to deliver a meaningful report card on the class of 2005, but it's sure to have one very big loser in it. The infamous Refco, the futures-trading firm, swallowed up \$583 million of the public's money on Aug. 11. The stock has sunk from \$27.48 at first-day close to \$1 as of late October. So far the best performer among bigger 2005 offerings is Hoku Scientific, which has doubled from its first-day close.

F



Across industries, across borders, our IPO clients share a common belief.

KKR Financial

June 2005

\$900,000,000

Initial Public Offering
Bookrunner



January 2005

\$141,451,968

Initial Public Offering
Bookrunner

Heartland
Payment Systems 

August 2005

\$139,725,000

Initial Public Offering
Bookrunner

 **PanAmSat**

March 2005

\$900,000,000

Initial Public Offering
Bookrunner

 **Investcom**

October 2005

\$780,000,000

Initial Public Offering
Bookrunner

**TOKYO
STAR
BANK** 
東京スター銀行

October 2005

\$790,000,000

Initial Public Offering
Bookrunner

This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities.

Inc. Member SIPC. CITICORP and the Umbrella Device are trademarks
are used and registered throughout the world.

HUNTSMAN

February 2005

\$1,593,011,395

Initial Public Offering
Bookrunner



February 2005

\$175,957,600

Initial Public Offering
Bookrunner

WebMD

September 2005

\$138,862,500

Initial Public Offering
Bookrunner

DRESSER RAND

August 2005

\$652,050,000

Initial Public Offering
Bookrunner

seaspan

August 2005

\$605,776,500

Initial Public Offering
Bookrunner

J:COM

March 2005

\$1,006,000,000

Initial Public Offering
Bookrunner

They trust our experience, expertise, and above all, our ability to get the job done.
Successful deals like these are a select few of the many we've completed this year.
Global Banking | Global Capital Markets | Global Transaction Services

citigroup 
corporate and
investment banking

Most new issues

INDUSTRY	NUMBER OF NEW ISSUES	% OF TOTAL DEALS	OFFER VALUE (\$MIL)	PERFORMANCE FROM FIRST-DAY CLOSE	
				ACTUAL	REL TO S&P 500 ¹
DRUGS & BIOTECHNOLOGY	16	10	\$1,326	-15.6%	86
HEALTH CARE EQUIPMENT & SERVICES	14	9	934	-3.7	99
DIVERSIFIED FINANCIALS	11	7	2,250	-13.5	87
RETAILING	10	6	1,075	-20.3	82
BUSINESS SERVICES & SUPPLIES	9	6	1,875	5.9	110

Performance figures are through Oct. 14 and based on the median company. ¹The ending value of \$100 invested in the stock, divided by the ending value of \$1 invested in the S&P 500. Sources: FT Interactive Data and Reuters Fundamentals via FactSet Research Systems; Forbes.

Of the 156 new issues that went public over the last 12 months, 60% are profitable.

Biggest by offer value

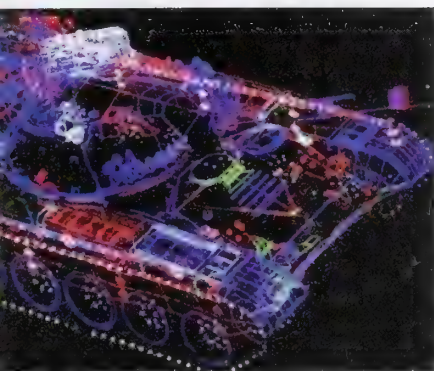
LEAD UNDERWRITER	NUMBER OF NEW ISSUES	OFFER VALUE (\$MIL)	PERFORMANCE FROM FIRST-DAY CLOSE	
			ACTUAL	REL TO S&P 500 ¹
MORGAN STANLEY	15	\$6,657	5.3%	104
GOLDMAN SACHS	16	5,409	-3.4	97
CITIGROUP	14	3,356	0.9	101
CREDIT SUISSE FIRST BOSTON	12	1,917	-5.8	96
MERRILL LYNCH	11	1,756	-18.9	84

Performance figures are through Oct. 14 and based on the median company. The ending value of \$100 invested in the stock, divided by the ending value of \$1 invested in the S&P 500. Sources: FT Interactive Data and Reuters Fundamentals via FactSet Research Systems; Forbes.

Best and Worst

COMPANY/BUSINESS	OFFER DATE	OFFER VALUE \$MIL	PERFORMANCE FROM FIRST-DAY CLOSE		LEAD UNDERWRITER
			ACTUAL	REL TO S&P 500 ¹	
COTHERIX/pharmaceuticals	10/15/04	\$30	130%	215	CIBC World Markets
FOXHOLLOW TECH/medical devices	10/28/04	63	106	196	JPMorgan Chase
HOKU SCIENTIFIC/fuel cell technology	8/05/05	21	100	207	Piper Jaffray
FREIGHTCAR AMERICA/railroad equipment	4/06/05	162	86	186	UBS
VERIFONE HOLDINGS/electronic payment svcs	4/29/05	154	84	179	JPMorgan Chase
ODIMO/online jewelry retailer	2/15/05	\$28	-83%	17	CIBC World Markets
ARBINET-THEXCHANGE/electronic trading mkt	12/16/04	114	-76	24	Merrill Lynch
REFCO/brokerage services	8/11/05	583	-71	30	CS First Boston
CABG MEDICAL/cardiac technology	12/8/04	30	-59	41	Feltl & Co.
GREAT WOLF RESORTS/entertainment resorts	12/15/04	238	-57	44	Citigroup

The tables on this page cover initial public offerings of common equities over the latest 12 months (Oct. 15, 2004 to Oct. 14, 2005), offering prices of \$5 or more and offering values of \$5 million or more. They exclude ADRs (American Depositary Receipts), closed-end funds, foreign companies, limited partnerships, real estate investment trusts and units. Performance figures are through Oct. 14. ¹The ending value of \$100 invested in the stock, divided by the ending value of \$1 invested in the S&P 500. Sources: FT Interactive Data and Reuters Fundamentals via FactSet Research Systems; Hoover's; initial offering prospectuses; Renaissance Capital's (Greenwich, Conn.) IPOHome.com; Thomson Financial; Forbes.



Friend or foe? SAIC's radar signature prediction technology can help troops tell the difference.

SAIC

Security Blanket. The proposed \$1.7 billion offering of shares in Science Applications International, a long-standing member of the Forbes private companies rankings, will be, if it goes through, the largest since Google went public in August 2004. This high-tech, employee-owned outfit has security stamped all over it. Half of its 42,000 employees have national security clearance. Working mostly on government contracts (which account for 86% of revenue), it integrates computer systems, builds surveillance systems and participates broadly in the \$150 billion global security market. SAIC also conducts research and development in fields ranging from health care to robotics. Revenue has grown 16% annually since 2001 to \$7.2 billion; the backlog is \$3.4 billion.

BUSINESS

Defense tech consulting

REVENUES

\$7.2 bil

IPO FILE DATE

Sept. 1, 2005

PROPOSED OFFER VALUE

\$1.7 bil

PROPOSED TICKER

SAI

LEAD UNDERWRITERS

**Morgan Stanley
Bear Stearns**

NTELOS HOLDINGS

Don't Say WorldCom. Ntelos Holdings has an august past, with roots going back to the 1897 founding of Clifton Forge-Waynesboro (Va.) Mutual Telephone Co., but a shaky recent history. Like bigger telcos, it presides over a fixed-line business that is in decline and a wireless operation that is growing (from a recent count of 326,000 subscribers). The transition hasn't been easy: The company filed for Chapter 11 in March 2003. Ntelos aims to haul in \$175 million of investors' money in an initial offering expected in early 2006.

BUSINESS

Wireless services provider

REVENUES

\$342 mil

IPO FILE DATE

Oct. 6, 2005

PROPOSED OFFER VALUE

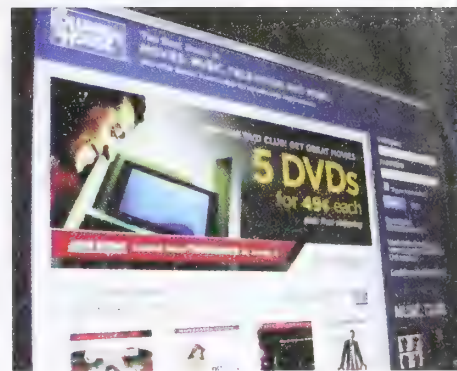
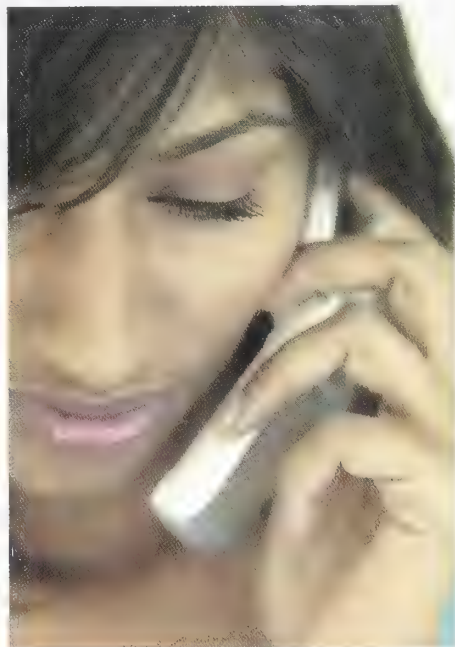
\$175 mil

PROPOSED TICKER

NTLS

LEAD UNDERWRITERS

**Lehman Brothers
Bear Stearns**



Akamai helps Columbia House deliver images and process orders on its Web site.

AKAMAI

TECHNOLOGIES

Old New Issue Makes Comeback.

Akamai went public in the heady days of 1999, when its farms of network servers helped propel "heavy" media, such as images, at bearable speeds over a 56K Internet. When the bubble burst, Akamai's client base vanished, and its shares fell from \$346 in January 2000 to 56 cents in October 2002. Today a new generation of rich multimedia, including iTunes, video and voice traffic, is taxing the broadband networks. As a result the number of Akamai's recurring customers, including MTV and Yahoo, is up 45% from a year ago, and its worldwide network of 18,000 servers commands 85% of the content-delivery market. Revenues for the first nine months of 2005 are up 32% to \$200 million, while earnings before interest, taxes and depreciation rose 37% to \$69 million. Akamai recently generated enough cash for an early payoff of \$57 million in debt. Now trading at \$17, Akamai sells for 25 times estimated 2006 profits.

BUSINESS

Web-hosting services

IPO OFFER DATE

Oct. 29, 1999

OFFER VALUE

\$234 mil

PRICE CHANGE FROM FIRST-DAY CLOSE

-89%

ALLTIME

HIGH (1/3/00) LOW (10/7/02)

\$346

\$0.56

Gassing Up

Overpriced energy stocks? Not these oil-and-gas newcomers.

By Kurt Badenhausen

NO SURPRISE THAT ENERGY IS the S&P 500's hottest subindex, with a 23% gain since Jan. 1. No surprise, either, that the demand for oil stocks is eliciting additional supply. The energy sector (which also includes oilfield suppliers and refineries) accounts for 14 new issues so far this year and 9 more in registration, says Thomson Financial. Those 14 have gained a median 12% from first-day close, against -3% for identically timed hypothetical investments in the S&P 500.

Shares of Superior Well Services, an oilfield services firm in Indiana, Pa., were offered (to the kind of loyal Wall Street customers who are cut in on hot deals) at \$13 on July 29 and closed the first day at \$18. Now they are trading at \$22, or a high 48 times trailing earnings. Superior Well's enterprise value (market value plus debt, minus cash) is 29 times its trailing operating income (earnings before interest, taxes and depreciation), also costly.

Nevertheless, good values still can be found among energy outfits with robust prospects in a world of likely continued high demand. They sell at a discount to their peers for reasons ranging from small floats to their concentration in the supposedly played-out, storm-ridden Gulf of Mexico. We culled through initial offerings from the past two years to find stocks with enterprise multiples lower than those of peers and a projected annual earnings growth of at least 10% (see table).

Hornbeck Offshore Services operates a fleet of 25 offshore supply vessels, largely in the Gulf of Mexico. It services oil companies like BP, ChevronTexaco and Royal Dutch/Shell. Within the supply boat industry Hornbeck is "the best

name by far with the highest-quality fleet," says Jefferies energy analyst Judson Bailey. The average age of supply boats in the Gulf is 20 years but only 5 years for those of Hornbeck, which can charge higher rates. Bailey expects Hornbeck's earnings to jump 35% next year.

After going public 18 months ago with a small float, Hornbeck found its lack of liquidity dismayed institutional buyers. A second offering in October boosted the float, and daily trading volume rose from 145,000 shares to 600,000. Vexingly, Hornbeck has a large trailing price/earnings multiple (110) because of a loss booked in 2004's last quarter. That stemmed from a debt buy-back offer that has the virtue of strengthening the balance sheet. Hornbeck quickly sprang back into the black and should stay there. Its enterprise multiple of 11 is a tad less than the oil-service segment's median of 12.

Whiting Petroleum is an explo-

multiple of 6 compares favorably with 9 for the typical exploration stock.

Bois d'Arc Energy (pronounced "bo-dark") does exploration in the Gulf of Mexico, with two-thirds of its reserves in natural gas. Its stock is up 14% from first-day close after an initial offering in May. Former parent Comstock Resources still owns 48% of outstanding shares. Note that companies specializing in the Gulf of Mexico tend to trade at discounts to onshore firms. Apart from the hurricane worries, the reason is that offshore reserve life is typically shorter. And there's a perception that Gulf assets have been picked over already.

Bois d'Arc's reserve life is 14 years, though, double that of the typical Gulf oil-and-gas firm. And its technical expertise has led to a very strong drilling track record. In the five years through 2004 the firm successfully completed 43 of the 57 exploration wells that it drilled. This 75% success ratio compares with 60% for other

Untapped Energy

These initial public offerings have lower enterprise multiples than peers do and also estimated earnings growth of a minimum 10% yearly.

	PRICE		P/E	ENTERPRISE MULTIPLE ¹	MARKET VALUE (\$MIL)
	RECENT	52-WEEK HIGH			
ALON USA ENERGY	\$18.99	\$26.50	11	5	\$665
BOIS D'ARC ENERGY	14.38	18.00	NM	7	750
HORNBECK OFFSHORE SVCS	30.90	37.49	110	11	645
W&T OFFSHORE	27.00	34.44	11	4	1,781
WHITING PETROLEUM	39.30	46.30	11	6	1,171

¹Enterprise value (market value less net debt) divided by operating income (earnings before interest, taxes and depreciation). NM: Not meaningful. Source: Reuters Fundamentals via FactSet Research Systems.

ration-and-production company operating in the Rocky Mountains, Gulf Coast and Permian Basin of West Texas with \$395 million in sales over the past 12 months. The company buys existing oil-and-gas fields, which cuts the risk but also the payoff. This summer the company announced plans to acquire two properties that will increase reserves by 85%, says Lehman Brothers oil-and-gas analyst Jeffrey Robertson. All the acquisitions mean a high debt-to-capital ratio of 49%, versus 35% for peers. But Whiting's enterprise

firms in the Gulf. The company has virtually no long-term debt.

For now Bois d'Arc also has no trailing P/E because converting from a limited liability corporation into a public company triggered a large tax bill that erased earnings; but its 7 enterprise multiple is low. One concern: Bois d'Arc does not use commodity price hedges. Good news when gas prices are rising and trouble if they fall. More diversified and hedged energy companies like ExxonMobil are better able to withstand such a problem.

The new business collection by

Samsonite

Life's a Journey

"To me, business isn't about wearing
suits or pleasing stockholders.
It's about being true to yourself,
pursuing your ideas and focusing on the essentials."

Richard Branson, Chairman of Virgin
and inspired world traveler.

Pro-DLX. The business
essentials collection.

Richard Branson's proceeds from the photo shoot were donated to the Virgin Unite foundation. www.virginunite.com



with Intel® built in, Bumrungrad has
expansion built in



intel.

STORAGE ROOM TRANSFORMED INTO PEDIATRIC CLINIC. Bumrungrad Hospital, Southeast Asia's largest healthcare facility, created a kid-friendly pediatric clinic out of a 10,000-square-foot medical records unit. How? An ultra-scalable, 4-way Intel® Xeon® processor-based system improved data reliability and made records paperless. Read more about Bumrungrad Hospital's experience with Intel built in at intel.com/builtin.



© 2006 Intel Corporation. Intel, the Intel logo, and Intel Xeon are trademarks or registered trademarks of Intel Corporation or its subsidiaries in the United States and other countries. All rights reserved.

Moore's Law

Lots of people are getting rich off America's ailing \$2 trillion medical system. Thomas Moore is among the most creative of them | By Nathan Vardi

THOMAS MOORE THRIVES ON SAD CASES LIKE THAT of Lorin Campos, who was born brain damaged in 1989. It took her parents nine years to hook up with Moore, a medical malpractice lawyer. He picked up the legal cudgel just before the statute of limitations ran out, and sued Campos' doctors and St. Agnes Hospital of White Plains, N.Y., claiming that her cerebral palsy was a direct result of 80 separate lapses, like failing to perform diagnostic tests properly and scheduling a cesarean-section delivery too late.

In March 2003, after five years of depositions and subpoenaing witnesses and medical records, the medics' insurer agreed to settle before jury selection, for \$10.9 million. The award allowed Lorin's mother to continue to stay home and care for her—and Moore to pocket \$1.3 million, plus \$60,000 for expenses. Under New York State law, his fee is set by a sliding scale. But Moore wasn't satisfied. This past March he asked State Supreme Court Judge Howard Silver to up his take to \$2.2 million, citing the "various complexities posed by the action, and the unusually extensive amount of work that went into this case." The judge granted his wish.

Moore is an exceptional case. His firm files 40 or more tort complaints a year, often involving infants born with brain damage. Those suits charge that a botched delivery or poor diagnosis by doctors and mistakes by hospital staff are to blame for the result. Moore's Web site says he has won more than 76 verdicts in excess of \$1 million and has settled hundreds of other cases for millions of dollars each. What he doesn't advertise is that 17 times since 2000, according to court documents, he has sidestepped the state's attempt to moderate attorneys' fees, and hence medical costs. Result: \$10.4 million or so in additional revenue for his practice that otherwise would have gone to the brain-damaged infants and others he represented. Moore says that during that period he has disposed of 300 cases, asking for an increased fee only 6% of the time.

He has raised his cut at a time of a growing medical consensus—which Moore disputes—that brain damage among new-

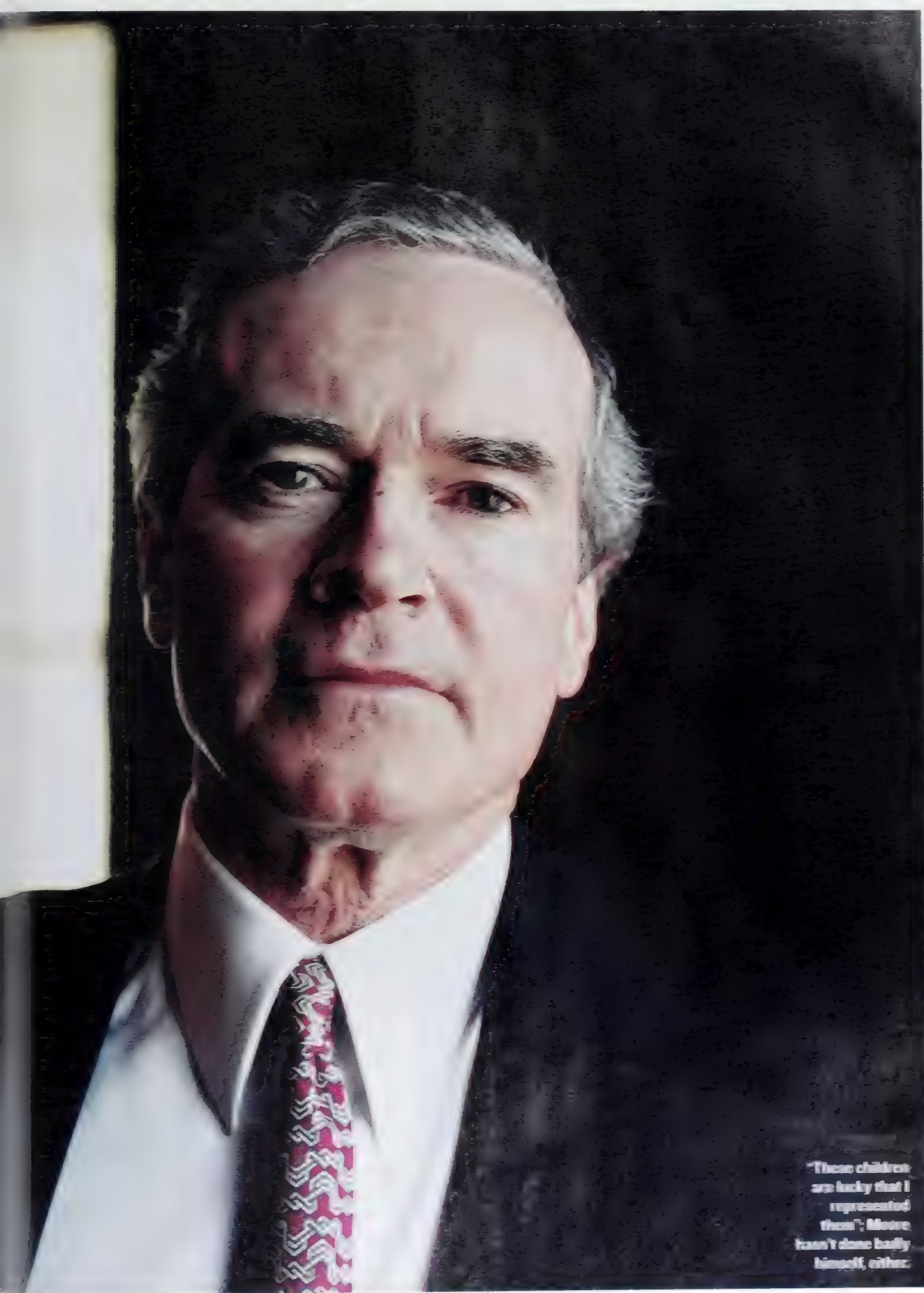
borns is only rarely the fault of doctors or hospitals. A three-year survey by the American College of Obstetricians & Gynecologists and the American Academy of Pediatrics concluded that "most cases of neonatal encephalopathy and cerebral palsy do not originate during the process of labor and delivery." The 2003 report says that certain forms of the disease, "especially where there is an associated learning difficulty, commonly [have] a genetic origin."

Moore, 63, is less exceptional in one sense: He is one of thousands of people getting rich off America's exploding health care costs (see p. 120), a bill expected to reach a chest-seizing \$1.9 trillion this year, or 15.6% of the economy. Most medical entrepreneurs are perfectly legit; many make an honest and moderate living. But some have found creative ways to game a system that, while it is by far the largest in the world, still has 45 million Americans not covered by insurance. Mighty efforts by various states and Uncle Sam to cap attorneys' fees and verdicts have done little to slow stampeding rises in medical malpractice insurance rates: An ob/gyn specialist in Dade County, Florida pays \$299,000 a year for coverage, up 8% since last year.

Fear of being sued results in huge, indirect costs. A recent survey by Harvard School of Public Health professor David Studdert found that among obstetricians in Pennsylvania, where malpractice rates are some of the highest in the U.S., 54% frequently called for tests, like sonograms, they felt were unnecessary and 38% often admitted to invasive procedures, like biopsies, that were not called for. Meantime there's been an explosion in the number of cesareans, from 5.5% of all U.S. births in 1970 to 27.5% in 2003. During that time the frequency of cerebral palsy cases has been flat.

Which brings us back to Tom Moore. Born in Ireland, he came to America with his mother and two siblings when he was 17 and began studying to become a priest. Instead, he attended Fordham University law school at nights, working as an insurance adjuster during the day. Now Moore runs a small downtown Manhattan firm with his wife and three partners. He won renown taking up the





"These children
are lucky that I
represented
them"; Moore
hasn't done badly
himself, either.

Moore's Law

wrongful-death case of Libby Zion, the daughter of New York *Daily News* columnist Sidney Zion. The trial was broadcast on CourtTV. Moore got a pittance for his client—\$375,000—but cemented his reputation as a boisterous and tough litigator. “I am a social engineer,” says Moore. “My role is to improve the quality of life.”

He still had to contend with New York's sliding-scale law, introduced in 1985. That statute says that instead of taking a standard one-third contingency on settlements and awards, medical malpractice lawyers have to content themselves with 30% of the first \$250,000 recovered plus lower percentages of additional amounts, sliding down to 10% of the portion over \$1.25 million.

But Moore found a way to bypass the limits by asking—and usually getting—a judge to sign off on higher fees. To support his applications, his firm files an affidavit signed by his client's parent or closest family member in support of Moore's request for a father fee. Once a judge approves it—Moore tends to hit up the same jurists—no one has the gumption to challenge him: not his clients, who are often indigent and grateful for whatever he has won on their behalf, and not the defendants or their lawyers, who have no legal standing to challenge Moore's postsettlement moves.

The case of Agustin Ballinas is typical. Moore convinced a jury in 2001 that mistakes committed by the hospital staff of a New York City Health & Hospitals Corp. unit caused an infection that spread to Ballinas' brain and resulted in cerebral palsy—and persuaded it to award \$107.8 million. But as the defense asked for a reduction, Moore settled the case for \$12 million. Not satisfied with a \$1.4 million fee, Moore in 2003 told State Supreme Court Judge Douglas McKeon that he wanted 20% of the total because his “office put in countless hours of work” and “under the sliding-scale formula the hourly rate would wholly be inadequate.” Thanks to the affidavit from Agustin's father, which claimed that “Moore's knowledge of the medicine was even superior to the defendant doctors,” Judge McKeon okayed the \$2.4 million fee.

Moore doesn't see a problem. “I champion these kids and get them more money than any other lawyer does,” he says. “These

children are lucky that I represented them.” But he also argues that he never asks for more money if doing so would leave clients unprepared financially to sustain themselves for the rest of their lives. “If there is even a remote chance that there is not enough money for the child in the future, I don't care what cartwheels, I don't care what fantastic work I have done, I don't care what amount of hours I have spent—I wouldn't even think of asking for an increased fee.”

A second opinion? “This is appalling,” says Richard Waldman, a Syracuse obstetrician who heads the New York division of the American College of Obstetricians & Gynecologists. He equates excessive legal fees with “stealing money from children.”

Technically, of course, it's not. The sliding scale, in fact, allows lawyers to ask for bigger fees. But does Moore meet the

“This is appalling,” says an obstetrician, equivalent to “stealing money from children.”

required standards? First he must prove “extraordinary circumstances.” The 1985 statute doesn't define what those are. But New York's highest court has specified what they *aren't*. A 1994 Court of Appeals opinion said that “the degree of diligence or success” does not render a case extraordinary since lawyers “are expected to zealously represent all clients.” It noted that “the technical complexity of the medical issues” doesn't apply since “medical malpractice actions are by their nature complex, warranting extensive and sophisticated preparation.” Yet Moore often gets judges to goose his fees by noting “the time and effort that went into the discovery and pre-trial phases to achieve the settlement.” He has claimed extraordinary circumstances 11 times by citing “the complex” medical issues, the “extensive work” and “the result.” Moore insists his claims are consistent with the Court of Appeals decision, since the dissenting judge interpreted the ruling as not having excluded the “exceptional skill of counsel.”

The second test is inadequate compensation. Moore must prove—as the firm O'Connell & Aronowitz tried and failed to do in that same 1994 Court of Appeals case—that the sliding-scale fee “imposed some financial hardship” on the lawyers, such as forcing them to “suspend their practices throughout [the] year-long trial.” Does Moore meet this standard? In 2003, the year Judge McKeon signed off on his



A legal star is born: Moore arguing on behalf of Libby Zion.



At the State Supreme Court in the Bronx, four judges have upped Moore's fees a total of 11 times since 2000

million fee in the Ballinas case, where Moore argued that "the early rate would be wholly inadequate," he secured at least \$19.7 million in legal fees, court documents show. That bounty turned the firm, Kramer, Dillof, Livingston & Moore, into one of the richest legal enterprises in Manhattan, at \$2.2 million of revenue per attorney that year—even ahead of Wachtell, Lipton, Rosen & Katz. Moore says he is within the bounds of the Court of Appeals case where O'Connell & Aronowitz would have earned \$550 an hour under the sliding scale. In one case he says is typical, he asked that what was as little as \$160 an hour be increased to \$337. Moore argues that lower courts agree with him, citing a 2001 appellate division decision that found the sliding-scale fee inadequate because lawyers

had "spent an estimated 6,000 hours over more than eight years engaged in tenacious litigation."

Still, how does he do it time after time? By hitting up the same judges, especially in State Supreme Court in the Bronx, where he has gotten a pass 11 times since 2000. Moore explains there are only a handful of jurists who preside over complex medical malpractice cases. In any event, since 2000 Judge Howard R. Silver has approved fees exceeding the sliding scale four times, giving Moore an extra \$2.9 million; the Honorable Bertram Katz has done it three times, resulting in \$2 million more; Judge McKeon is a three-timer, too, helping Moore collect an additional \$2.2 million (though McKeon once denied Moore's request).

Moore's Law

None of these jurists seems to have any qualms. "I judged each individual case on its merits," says Judge Silver. Judge Katz says, "He really works hard to get these verdicts." In Judge McKeon's view Moore is simply being rewarded for strong advocacy. "I believe there ought to be an incentive for a lawyer to get full compensation for a profoundly damaged child," he says, "and under the sliding scale there is an economic disincentive" to do so.

Some judges may go along to avoid tangling with Moore, whose ferocious behavior in the courtroom is the stuff of legend. He yells, interrupts witnesses, belittles defense lawyers, talks back to judges. When he sued New York's Montefiore Medical Center and three doctors on behalf of Kevin Smith, an adult, claiming a misdiagnosis caused a stroke, things got crazy. Judge Stanley Green threw out the jury's \$16.3 million verdict in 2003, noting Moore "adopted a hostile and disrespectful attitude toward the court." During the trial the judge warned Moore not to raise his voice, glare at him or argue with his rulings. Moore appealed the reversal and got the award reinstated. Judge Green then deemed the amount excessive by \$6.5 million. Moore appealed again, got Judge Green's order reversed this year and a \$13.8 million award.

At least one judge has stood up to him. Alice Schlesinger, a judge in state supreme court in Manhattan (that's a trial-level court), rejected Moore's request for \$7 million, or 18% of a \$38.5 million settlement he scored in May 2003. Moore had sued New

York Hospital and four doctors on behalf of Samuel Desiderio, who suffered brain damage because of the neglect of hospital staff after surgery, and had won a \$79.9 million jury verdict in 1999. Judge Schlesinger ruled that Moore couldn't show the sliding-scale fee was inadequate, and since the hospital had conceded liability from the get-go, she wondered if "the action arguably need not have been tried." Moore also struck out claiming extraordinary circumstances. "There was not anything more extraordinary or complex about these issues, as to the extent of injuries, than in



Friends of the court: Judges Bertram Katz, Howard R. Silver and Douglas McKeon have repeatedly helped Moore increase fees.

many other brain damage baby cases, a field of specialization that this attorney is particularly expert at," Judge Schlesinger wrote. "Four million dollars, even in these inflationary times, is still a very large number. Seven million dollars would be excessive."

That ruling stuck. Yet there is constant pressure by lawyers, lobbyists and legislators to repeal the sliding scale—even attempts to slip language into totally unrelated bills in Albany. So far, the medical establishment has beat back those efforts.



\$149 million R. Blane Walter advertising

BEING THE SON OF ROBERT Walter, longtime chief of drug wholesaler giant Cardinal Health, probably didn't hurt. But Walter, 34, also has a great sense of timing: He got into the pharmaceutical advertising business just as the Food & Drug Administration relaxed direct marketing rules in 1997, unleashing a flood of ad dollars that turned drugs into famous brands. The pharmaceutical industry spent \$4.4 billion last year on ads, says TNS Media. InChord Communications, Walter's Westerville, Ohio, firm, got in early, using basketball legend Earvin (Magic) Johnson to promote GlaxoSmithkline's HIV drug Combivir and landing Eli Lilly's Prozac account in the late 1990s. Last month InChord sold out to Ventiv Health.

Where the Money Is

A sampling of how much medical types can earn in a good year.



EQUITIES | FIXED INCOME | GLOBAL CLEARING | INVESTMENT BANKING | WEALTH MANAGEMENT

A company is known by the clients it keeps.

**Maybe that's why we were voted America's
Most Admired Securities Company.**

Some of the largest companies in the world recognize the value delivered by Bear Stearns. We were voted No. 1 Securities Company in the Fortune® magazine "America's Most Admired Companies" survey† twice in the past three years. The secret to our success is no secret. It's our people — their skill, dedication and entrepreneurial spirit have been building value for clients for over 80 years.

**A great deal depends on
working with the right people.†**



Moore's Law

which provides consulting and marketing to pharma. The income is Walter's cash share of the capital gain.

\$4.7 million **Dan S. Wilford** nonprofit hospital chief

PERHAPS THE MOST RICHLY compensated head of a medical nonprofit, Wilford retired in 2002 after building Houston's Memorial Hermann from a three-community outfit into a 12-hospital system that earned \$117 million on revenues of \$1.8 billion in 2003, the latest year it reported. The hospital says his compensation that year "was not typical, as it included reporting of accrued benefits from Mr. Wilford's 18 years of service as well as retirement benefits." (Herbert Pardes, chief of New York-Presbyterian Hospital, cleared \$3.4 million in 2003.) If all this strikes you as unusual for a tax-exempt organization, you're not alone. Last year the Internal Revenue Service started looking into the pay packages of nonprofit executives. In April IRS Commis-



Mary Ann Carr

sioner Mark Everson told the Senate that "excess compensation by an exempt organization is not permissible." But what is excessive?

\$124.8 million **William McGuire** health insurance

AS THE NATION'S HIGHEST-PAID health care executive, McGuire,

chief of UnitedHealth Group, has built the nation's second-biggest such insurer and returned an average 33% a year to shareholders since he took over in 1991. Part of that success is helping companies keep costs down. Meantime, McGuire has built himself quite a stash, collecting lots of stock options. Last fiscal year he pocketed \$115 million on them—and at year-end had an unexercised hoard worth \$1 billion.

\$55,502 **Mary Ann Carr** nurse practitioner

CARR, 53, IS THE FIRST LINE OF care for 1,800 or so patients annually in rural Alsea, Ore. Her one-woman, nonprofit clinic is open to patients 22½ hours per week. She works 45 hours a week, doing exams, writing prescriptions, ordering lab tests, X rays, MRIs and so on. Medicaid covers one-fourth of her patients, another third have Medicare or sup-

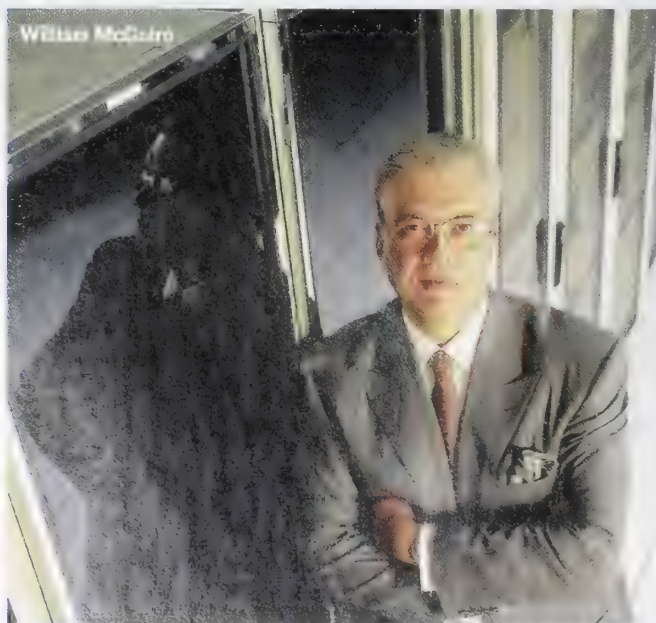


Nicholas Perricone

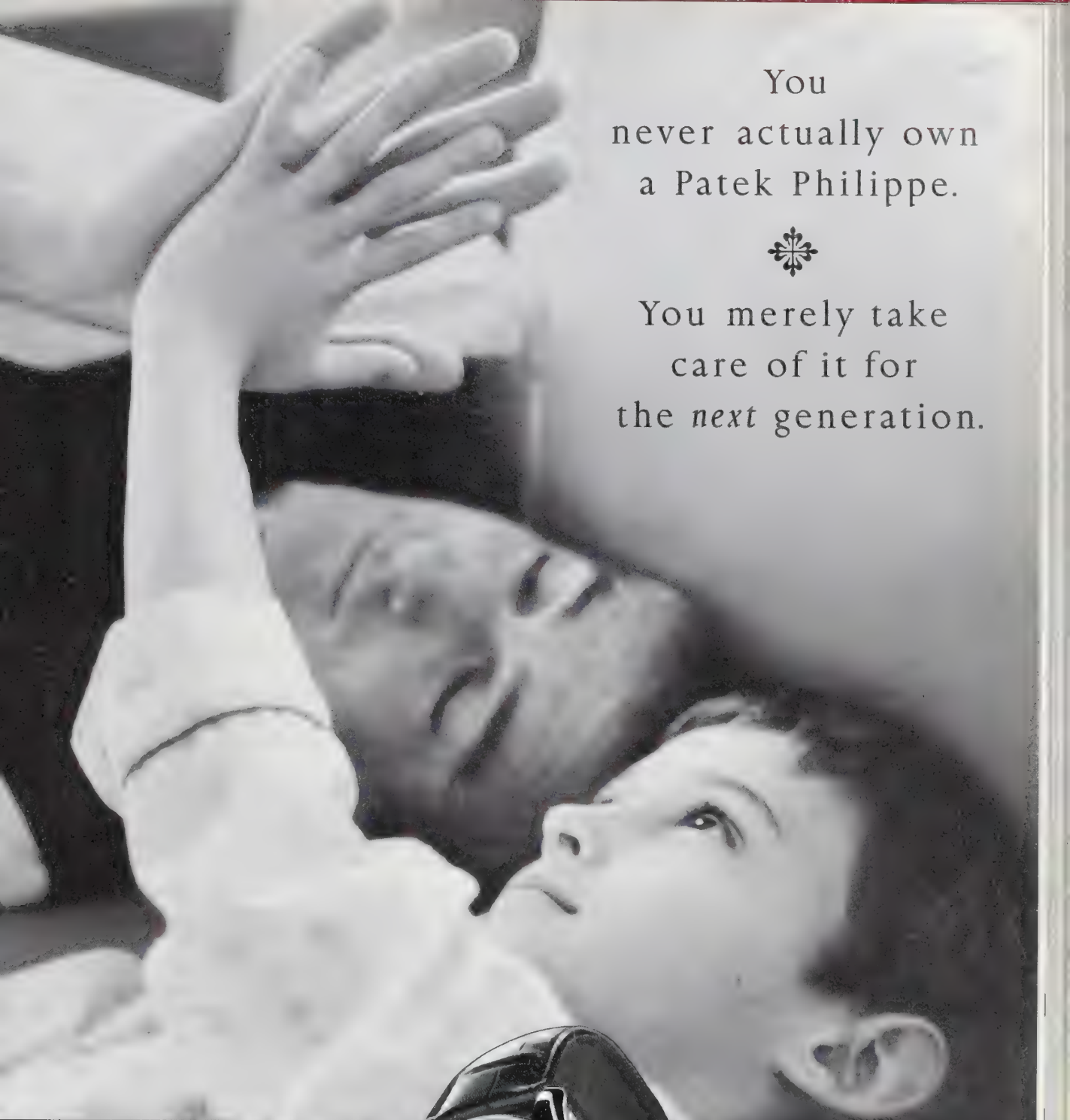
plementary insurance, and the rest are underinsured or without coverage. Nobody gets turned away. Says she: "My husband keeps warning me that when I retire no one's going to want to work this job for this salary."

\$18.6 million **Nicholas Perricone** dermatologist

PERRICONE USES HIS MEDICAL credentials to flog his three-step program—special diet, cosmeceuticals and nutritional supplements—in his bestselling books and on pub-



William McGuire



You
never actually own
a Patek Philippe.



You merely take
care of it for
the *next* generation.

At the press of a button,
Patek Philippe World Time, Ref. 5110P,
change the time to any one of
the 24 time zones without losing one second
of accuracy. This remarkable mechanism,
marked with the Geneva Seal,
is patented, and rightly so.



PATEK PHILIPPE
GENEVE

Begin your own tradition.

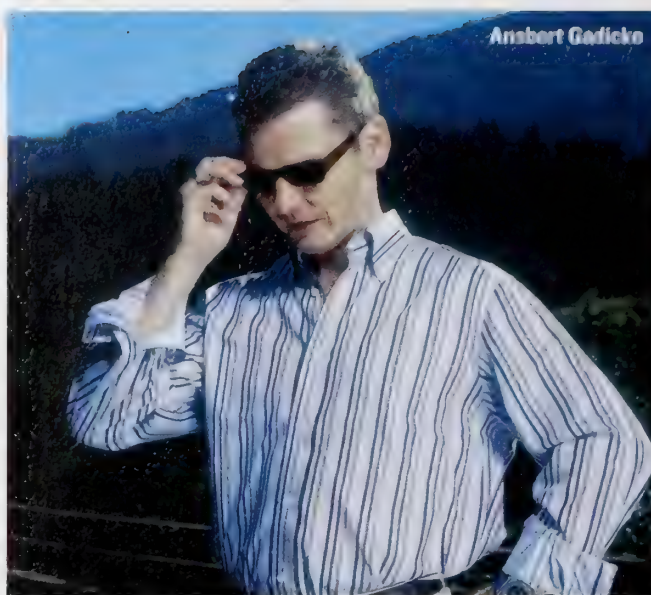
Moore's Law

lic TV fundraisers. You can find most of his products, which are largely unregulated by the feds, on his Web site and in his Manhattan store. Perricone continues to argue that his stuff can help "take off 10 years in 28 days" and that his program provides "long-term age-defying benefits."

Perricone enjoys his income. Divorce filings say he spends \$245,000 a month, including \$4,117 on apparel and \$24,000 on business travel and entertainment. Documents show he owns two homes, one a \$2.6 million pad in Ormand, Fla. Perricone is also generous, pledging \$5 million to his medical school, Michigan State University.

\$5 million **Phu (Peter) Luong** alleged Medicare fraudster

AS THE FOUNDER OF UNITED Medical Supply in Huntington Beach, Calif., Luong was doing very well for himself until last March. That's when he was indicted for submitting \$24 million in fraudulent billings to Medicare. The U.S. Attorney in Los Angeles



says the government paid UMS \$14 million for motorized wheelchairs and nutrition products that were medically unnecessary—and charges that Luong's employees solicited and drove Medicare beneficiaries to doctors who wrote bogus prescriptions for them. Luong has pleaded not guilty. Nevertheless, he has had to do without some of his toys. The feds have seized an estimated \$3 million in assets, including a \$185,000 yacht and a \$118,000 Rolls-Royce.

\$3 million **Ansbert Gadicko** venture capitalist

THE ODDS OF BACKING A WINNER aren't great in this business, and cashing in on one usually takes three to five years. But Gadicko, an M.D. and general partner of MPM Capital, which has invested \$2 billion in biotech and drug outfits, scored big time in no time. In April Pfizer bought Idun Pharmaceuticals, a portfolio company in phase II-B clinical trials for a hepatitis C treatment, giving MPM a 442% return on a \$22 million investment in nine months. "We are making very significant amounts of money for our investors," says Gadicko.

\$5 million **Garth Fisher** plastic surgeon

PLASTIC SURGEONS DON'T have insurance companies policing their rates because insurance almost never covers their services. Fisher charges \$10,000 to straighten noses and as much as \$50,000 for a face-lift. Still interested? You've

got up to a two-year wait to get into his Beverly Hills office thanks to his appearances on ABC's *Extreme Makeover*. He also shows up on *Oprah*, *Good Morning America* and *Laraine King Live* whenever he can. And he manages to perform up to 15 procedures—from neck lifts and cheek implants to breast enhancements—each week, supplementing his income with sales of \$30 DVD's touting the virtues of scalp sculpting and by hitting the speaking circuit.



\$3 million **Setty Viralam** neonatologist

THIS WEST PALM BEACH, FLA., specialist did well when he sold out his practice in 1998, but today he's fighting the tax man in court. An IRS audit denied him \$264,000 of deductions he took that year—supposedly into a foundation that his lawyer claimed made loans to students who intended to go into charitable activities or paid them for volunteer work.

\$48,000 **Robert Levin** foreign aid doctor

THE INCOME FIGURE IS A LITTLE misleading. For six months dur-

Doctors Within Borders

Some medics make a decent but hardly outrageous living.

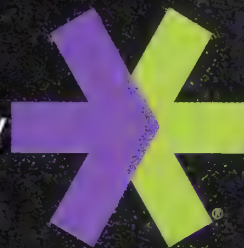
Pediatrician	\$161,188
Occupational therapist	\$44,244
Urologist	\$335,731
Pharmacist	\$90,854
Optometrist	\$107,413
Neurologist	\$211,094
Psychologist	\$79,306
Obstetrician	\$247,348

Median 2004 salary. Source: Medical Group Management Association

BE YOUR BROKER'S WORST NIGHTMARE. ASK THEM ABOUT US.

Challenge the ordinary.

Be E*traordinary



	E*TRADE SECURITIES	YOUR BROKERAGE
LOWEST COST STOCK INDEX FUNDS¹	YES	?
EXCLUSIVE ALL-STAR LIST OF LEADING MUTUAL FUNDS²	YES	?
FREE EXCLUSIVE CASH OPTIMIZER³	YES	?
\$6.99-\$9.99 TRADE PRICING FOR ACTIVE TRADERS⁴	YES	?

3.65% APY
E*TRADE Bank
Money Market Account
for three full months⁵

Call 1-800-398-7854 or visit etrade.com/switchtoday

E*TRADE
FINANCIAL[®]

Should consider the investment objectives, risk, charges, and expenses of a mutual fund carefully before investing. Fund's prospectus contains this and other important information. For a current prospectus, please visit etrade.com/mutualfunds. Read the prospectus carefully before investing.

Important information and details about the lowest-cost E*TRADE Index Funds, please visit etradeindexfunds.etrade.com. As commissioned by E*TRADE Asset Management, Inc., determined that the E*TRADE Index Funds had the lowest effective expenses as of October 3, 2005 by comparing them to other Pure Index Funds in the same Lipper Investment Categories/objective, while excluding institutional and other mutual funds requiring minimum investments of \$100,000 or more and exchange-traded funds. The E*TRADE Index Funds expenses are the lowest because they are contractually limited through April 30, 2006. There is no assurance that the expense limits will continue beyond April 30, 2006.

Cash Optimizer is a unique, dynamic cash management modeling tool that illustrates the earnings potential for uninvested cash and is available to all customers with \$100,000 or more in combined E*TRADE Securities and E*TRADE Bank accounts assets or who make 10 or more stock and options trades per month (average 30 per quarter).

Trade Pricing: To qualify for \$6.99 stock and options commissions and \$0.75 fee per options contract, you must execute 500 or more stock or options trades per month. To qualify for \$7.99 stock and options commissions & \$0.75 fee per options contract, you must execute 50-499 stock or options trades per month. To qualify for \$9.99 stock and options commissions & \$0.75 fee per options contract, you must execute 10-49 stock or options trades per month or maintain a balance of \$50,000 or more in combined E*TRADE Securities and E*TRADE Bank accounts as of the end of each quarter. Qualification will be determined at the end of each quarter. To continue receiving these commission rates, you must regularly by maintaining a balance of \$50,000 or more in combined E*TRADE Securities and E*TRADE Bank accounts or by making at least 30 stock or options trades by the end of the following calendar quarter.

E*TRADE Money Market Account is a separate deposit account offered by E*TRADE Bank. Annual Percentage Yield (APY) of 3.65% is good for 90 days from the date the account is opened and funded. Accounts must be opened by December 31, 2005 to qualify. This offer is only good for new E*TRADE Money Market Account customers and for existing Money Market Account customers who transfer at least \$25,000 in new funds from an external (i.e., non-E*TRADE) account into their existing E*TRADE Money Market Account. E*TRADE Bank reserves the right to withdraw the 3.65% introductory APY from any account at any time if these conditions are not met. Offer applies to one new account per customer. **A \$100 minimum deposit is required to open a new E*TRADE Money Market Account and account holders must maintain a minimum average monthly balance of \$1,000, or \$5,000 in E*TRADE Bank deposits, by the end of their second statement cycle to avoid a \$10 monthly fee.** A \$10 early closeout fee will be assessed if account is closed within 120 days of opening. After the 90-day introductory period, customers will receive the current APY based on account balance. Current as of 10/12/05, accounts with balances of \$100,000 or more earn 3.00%; those with \$50,000-\$99,999 earn 3.00%; those with \$5,000-\$49,999 earn 2.20% and those with less than \$5,000 earn .30%. For example, if an account is opened with \$10,000 and the introductory offer is a 3.65% APY for 90 days, account will yield 3.65% for 90 days. For balances of \$5,000-\$49,999, the current yield for the nonintroductory period is 2.20%. Therefore, the blended APY for the first year after account opening is 2.56%. APY is subject to change daily and fees will reduce earnings.

E*TRADE Bank and its subsidiaries. Bank deposits are FDIC insured up to \$100,000. E*TRADE Securities LLC, Member NASD/SIPC, are not insured by the FDIC, are not guaranteed deposits or obligations of E*TRADE Bank, and are subject to investment risk, including possible loss of principal invested. E*TRADE Bank and E*TRADE Securities are separate but affiliated companies.

© E*TRADE FINANCIAL Corp. All rights reserved.

Member
FDIC

Moore's Law

ing 2003, Levin, a family physician from Minneapolis, earned \$7,200 working for Doctors Without Borders in war-torn northern Uganda. Working ten hours a day, seven days a week in sweltering conditions, he nursed severely malnourished kids and worked in camps in the line of fire. Back home, to make ends meet, Levin worked two part-time jobs, teaching family medicine at a community program of the University of Minnesota and working an emergency room in a rural part of the state. Says Levin, 40: "I felt like I needed to go practice medicine where people were really in desperate need."

\$77.9 million
Edwin Mac Crawford
pharmacy benefit manager

CRAWFORD RUNS CAREMARK, the nation's largest (by market cap) pharmacy benefit manager, which helped fill 484

million prescriptions for health care plan members last year. By building a network of 60,000 retail pharmacies and using Caremark's purchasing power, Crawford has kept drug prices in check. But like other PBMs, Caremark is spending as much time in the courtroom as in the nation's medicine cabinets these days. In September the company paid \$137.5 million, settling a six-year federal investigation into kickback allegations, among others, made against a unit Caremark acquired last year. The feds and four states are expected to join a whistleblower fraud claim.

\$2 million
W.J. (Billy) Tauzin
lobbyist

THE FORMER LOUISIANA CONGRESSMAN became chief of the Pharmaceutical Research & Manufacturers of America, the drug industry's lobbying group, at the start of the year.

Ultrahealthy Returns

Most of these medical fortunes come not from saved-up paychecks but from capital appreciation.

\$2.8 billion **Peter Nicholas**
cofounder of medical-device maker Boston Scientific

\$2.2 billion **Patrick Soon-Shiong**
founder of generic-drug maker American Pharmaceutical Partners

\$1.7 billion **Thomas Frist Jr.**
cofounder of hospital operator HCA Healthcare

\$1.5 billion **Michael Jaharis**
founder of drugmaker Kos Pharmaceuticals

\$1.3 billion **Gary Karlin Michelson**
developer of spinal surgery medical patents

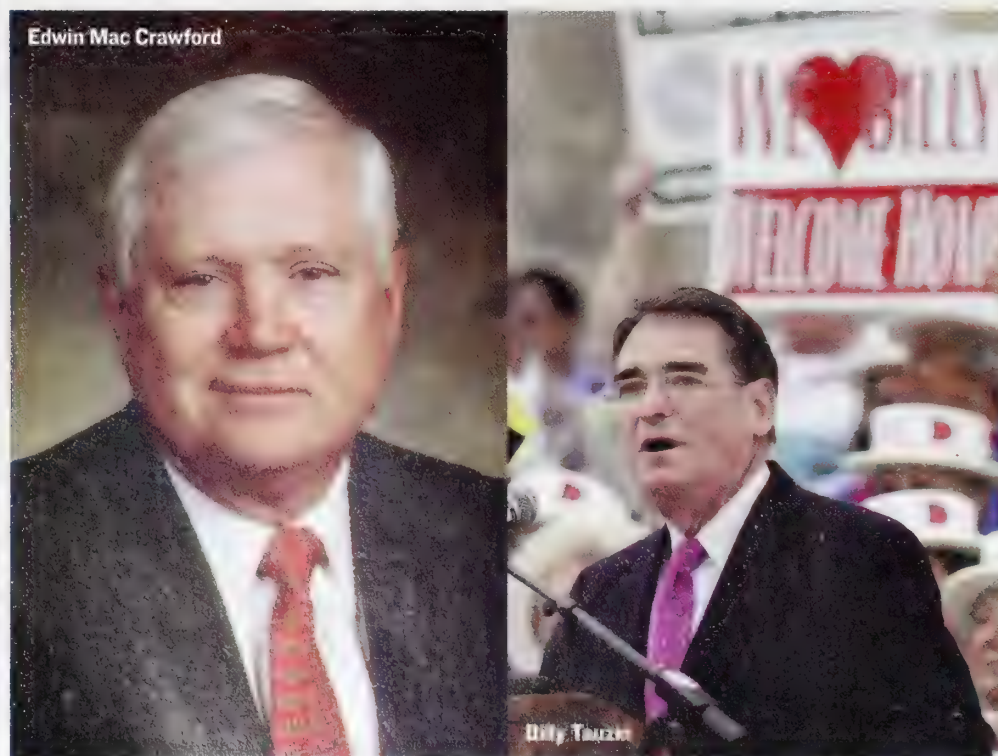
\$1.2 billion **Phillip Frost**
founder of generic-drug maker Ivax

As onetime head of a House committee, Tauzin helped create the new \$720 billion Medicare prescription benefit. Now he is trying to persuade his former colleagues that what's good for his new constituents is good for America. Example: an intense effort on Capitol Hill to keep generic-

drug makers from getting licenses to produce patented vaccines.

\$6 million
Mark Bogart
inventor

While completing a Ph.D. in biology at UC, San Diego, Bogart filed patent 4,874,693 in 1986. Since the mid-1990s the 55-year-old, a Hawaii resident, has been collecting licensing fees on the common procedure for testing the blood of pregnant women for certain indications of Down syndrome in a fetus. Bogart never did any testing himself, and Michael Watson, executive director of the American College of Medical Genetics, says his innovation was already largely known when he filed the patent. True or not, big outfit like Quest Diagnostics pay him a royalty each time they test approximately \$6 a pop. Bogart's patent runs out in October 2006. —N.V. with the business reporting class at UC Berkeley's Graduate School of Journalism.



HOW CAN YOUR BANK

**BE
BETTER?**

ADD E*TRADE BANK

**AND GET THE ADVANTAGES OF
A TRULY NATIONAL BANK.**

Challenge the ordinary.

Be E*traordinary



It's easy.

Step 1: Keep your local bank for everything local.

Step 2: Then open an E*TRADE Bank Money Market Account and get:

-  **No ATM fees at 370,000 machines**
At any bank, anywhere, with unlimited refunds¹
-  **Quick Transfer funds**
Easily between your local bank and E*TRADE Bank with a point & click²

3.65% APY
Money Market account
for three full months³

Call 1-877-925-2434 or visit etrade.com/mm

**E*TRADE
FINANCIAL**

E*TRADE Bank will not charge you a fee for withdrawing funds from any ATM nationwide but the owner/operator of the ATM may. This feature will refund the fees charged by the ATM owner/ operator on all ATM fees. In the event of fraudulent or clearly excessive use of the feature on a given account, E*TRADE Bank reserves the right to remove the feature. Withdrawal limits apply. Federal regulations related to these types of accounts, account holders are allowed six withdrawals or transfers from their account in any calendar month (ATM withdrawals excluded), maximum of three withdrawals by check.

E*TRADE Money Market Account is offered by E*TRADE Bank. Annual Percentage Yield (APY) of 3.65% is good for 90 days from the date the account is opened and funded. Accounts must be opened by December 31, 2005 to qualify. This offer is only good for new E*TRADE Money Market Account customers and for existing Money Market Account customers who transfer at least \$25,000 in funds from an external (i.e., non-E*TRADE) account into their existing E*TRADE Money Market Account. E*TRADE Bank retains the right to withdraw the 3.65% introductory APY from any account that does not maintain a minimum average monthly balance of \$1,000, or \$5,000 in total E*TRADE Bank deposits, by the end of their second statement cycle to avoid a \$10 monthly fee. A \$10 account fee will be assessed if account is closed within 120 days of opening. After the 90-day introductory period, customers will receive the current APY based on account balance. Current as of 12/05, accounts with balances of \$100,000 or more earn 3.00%; those with \$50,000 - \$99,999 earn 3.00%; those with \$5,000 - \$49,999 earn 2.20% and those with less than \$5,000 earn .30%. Example, if an account is opened with \$5,000 and the introductory offer is a 3.65% APY for 90 days, account will yield 3.65% for 90 days. For balances of \$5,000 - \$49,999, the current yield for introductory period is 2.20%. Therefore, the blended APY for the first year after account opening is 2.56%. APY is subject to change daily and fees will reduce earnings.

For details and important information about Quick Transfer, please visit etrade.com/quicktransfer for a listing of the limitations, restrictions and time deadlines associated with this service.

and lending products and services offered by E*TRADE Bank, a Federal savings bank, Member FDIC, or its subsidiaries. Bank deposits are FDIC insured up to \$100,000. E*TRADE FINANCIAL Corp. All rights reserved.

**Member
FDIC**

IBM



IBM eServer iSeries servers run multiple operating systems and applications concurrently – including IBM i5/OS, Linux, Microsoft Windows (via an IXA or IXS), Java, WebSphere and Domino. The latest generation iSeries servers can run the IBM AIX 5L operating system. Linux, Microsoft Windows and AIX 5L operating systems must be purchased separately. IBM, eServer, Domino, iSeries, i5/OS, Lotus, Take Back Control and WebSphere are trademarks or registered trademarks of International Business Machines Corporation in the United States or other countries. Linux is a trademark of Linus Torvalds in the United States, other countries, or both. Microsoft and Windows are trademarks of Microsoft Corporation in the United States, other countries, or both. Java is a trademark of Sun Microsystems, Inc. in the United States, other countries, or both. Other company, product and service names may be trademarks or service marks of others. ©2005 IBM Corporation. All rights reserved.

_THE INVASION

_DAY 10: I'm...losing...my...mind. Too many servers.
Too many operating systems. Too many databases.
Nothing's integrated. Aaaaiigh.

_DAY 39: They've invaded the snack room. I thought
I'd gone insane, but Dwayne sees them, too.

_DAY 40: I have taken control with an iSeries system.
It's a single integrated solution — server, storage,
software and security — that runs multiple operating
systems. Now, everything's simple. Booyah!

_DAY 41: I wonder how many other I.T. guys are
out there, trapped by their own infrastructure?
...Oh, the humanity.



IBM.COM/**TAKEBACKCONTROL**/iSERIES

PAUL JACOBS

has two things to prove:
that Qualcomm can hold on to its
gatekeeper tax on the cell phone industry
and that he deserves to be running
Qualcomm.

By David Whelan

Cellular Scion

In 16 years at Qualcomm, the wireless titan that reaps billions in patent fees for the electronic tricks that make cell phones work, Paul Jacobs racked up a reputation for combining high intelligence with a low success rate for business decisions. He had no experience running the two businesses that provide 90% of Qualcomm's \$5.7 billion in annual sales. The one big business he ran racked up \$200 million in losses in four years. In an authorized history of the company published this year, he merits no mention.

YET WHEN PAUL JACOBS, 42 AND BENT ON BECOMING QUALCOMM'S next chief executive, appeared for his final grilling by the board of directors on a sunny Saturday morning last December, he was cocky enough to show up in shorts. "It was warm outside," he says blithely. "Apparently, they didn't hold it against me."

In March the board named Jacobs to run Qualcomm starting July 1, tacitly acknowledging his strongest asset: His father is Irwin Jacobs, the renowned and brilliant engineer who in 1985 founded Qualcomm, which invented a core wireless transmission scheme. That is why Paul Jacobs could brazenly warn directors that he would quit if he got passed over for

MICHAEL GRECCO FOR FORBES



All the way to the bank: Paul's number two is basketball buddy and patent enforcer Steve Altman.



his father's job: "I don't want to spend my prime working for someone else."

Irwin Jacobs had run the publicly held company as his own one-man show, and it was all but foreordained from the moment Paul joined up in 1990 that one day Paul would take over when Irwin stepped down. To be sure, Irwin Jacobs holds only 3% of Qualcomm, which has 1.7 billion shares outstanding and a market value of \$70 billion. The 13-member board says the decision was its own. "Paul had to be significantly better than any other candidate," says Marc Stern, a director and longtime friend of Irwin's who led the "search" for his successor.

But in truth there weren't any other credible candidates. No sweeping search for an outsider took place, and internally not a single rival emerged. Two would-be contenders admit they backed off. "Everyone knew who was going to take over,"

says Mark Lieberman, who worked under Paul Jacobs a few years ago and is a fan. "Anybody who was politically shrewd wouldn't have gotten in his way," adds a former Qualcomm engineer.

Paul Jacobs concedes as much. "But I don't think I'd be vindictive if they went for the job," he says. A few days before he officially became chief executive, his father hosted a rally at Qualcomm Stadium in San Diego to celebrate the 20th anniversary of the company's founding, and to pass the baton.

The top job now his, and brashness aside, Paul admits to feeling the pressure. "If the company is successful under me, it's because I'm carrying on what Irwin put in place," he says. "If there's a glitch, it's because I'm his dumb kid."

Paul is the third of Irwin's four sons (no daughters) and the one most like him. He will get the chance to upstage his

father all too soon. Qualcomm faces a thicket of new challenges—a revolt by some of its biggest customers, an antitrust suit led by corporate killer David Boies, and an unrelenting pace of wireless innovation that could render Qualcomm irrelevant if it doesn't constantly update its patent library.

Last month Nokia, the world's biggest cell phone maker, filed a broad antitrust complaint with the European Commission. Backed by three other handsetmakers and two chipmakers, Nokia alleges that Qualcomm wrongly cuts its patent fees for handsetmakers that order chips from Qualcomm rather than from rivals. Nokia pays Qualcomm \$250 million a year in royalties but buys all of its chips from Texas Instruments. The move sent Qualcomm stock down 10% in two days. The assault likely is aimed at forcing Qualcomm to cross-license more patent



☐ Responsible
☐ Very responsible
☐ Extremely responsible

We're bringing customer service back to shipping. With people who understand your business. People who call you back. People who help you out when you have a problem. Call us at 1-800-CALL DHL. And we'll show you how we're changing the way the shipping business does business.

and reduce the royalties that provide a third of revenue and two-thirds of profit.

In a separate case, star litigator Boies, who was the U.S. government's hired gun in its partial antitrust victory against Microsoft in 2000, has filed an antitrust suit against Qualcomm on behalf of chipmaker Broadcom. In federal court in New Jersey, the suit accuses Qualcomm of trying to cripple Broadcom's entry into a new wireless-chip business by wrongly tying chip orders to royalty rates and charging fees so steep Broadcom can't compete. "If you have an egregiousness scale, Qualcomm's conduct would be as high as Microsoft's," Boies says.

Elsewhere, Intel is pushing a new wireless standard, the Wi-Fi offshoot Wimax, that sidesteps cellular service—and perhaps Qualcomm's patents—to

let users call over the Internet. "We said, 'Let's create a cellular market for Wi-Fi,'" says Scott Richardson, chief of Intel's Wimax business. "There is going to be a battle." Sprint, Nokia and Motorola, and a new venture from wireless billionaire Craig McCaw, are lining up behind Wimax. A similar effort is under way in Korea, where phonemakers pay Qualcomm \$1 billion or more a year, and lab coats are at work on a Qualcomm-free design called Wibro.

Paul Jacobs dismisses the myriad threats. The Nokia complaint in Europe is merely a political attempt to slow Qualcomm down, he says. The Broadcom suit is "without merit," the company says. Intel's Wimax dream is little more than a PowerPoint presentation, he adds. "They're the kind of people who see the world as a nail because they have a hammer."

To keep Qualcomm ahead, he puts his faith in innovation, packing ever more lifestyle features into the cell phone of the future. Picture-taking, music-playing, television, movies, videogames—Qualcomm engineers are integrating as much of this fun stuff as possible into their wireless chips. In three years the company has invested \$4 billion in such pursuits as a better call-routing design, push-to-talk calling over the Internet, vivid color screens and ways to beam live, crisp video to handsets.

"He's off to a good start," Irwin says of his son, "but the proof will be in how well he does over time." Irwin now comes to the office only twice a week, yielding daily control to Paul and acting more as a goodwill ambassador for the company. Paul says he is in charge—no second-guessing allowed. "Irwin knows that. He

Ring, Ring, Ka-Ching!

Qualcomm no longer sells phones, but it gets paid each time a CDMA or WCDMA phone is sold. Chips and licensing are multibillion-dollar enterprises. Its newer ventures like software and screen technology could expand its per-phone take.



Illustration by a. daniel. All prices are estimates and do not include taxes and other fees. Source: IDC, various reports.

A close-up portrait of Tina Brown-Stevenson, a woman with dark hair and glasses, smiling warmly. She is wearing a light-colored top and a pearl earring. The background is a soft, out-of-focus blue.

TINA BROWN-STEVENSON

PRESIDENT, AETNA INTEGRATED INFORMATICS

SAS gives Aetna

THE POWER TO KNOW

**how to use predictive analytics to improve patient outcomes
and head off high medical costs.**

More than 14 million people rely on Aetna, one of America's leading health insurance providers. Aetna, in turn, relies on SAS for a healthy dose of innovation. Using SAS[®] analytic software, Aetna can review its member population and make accurate predictions about costly medical and disability events – before they happen. Aetna then shares that information with care managers in a simple, easy-to-use format that allows them to make an impact on medical outcomes. As a result, care managers can offer at-risk individuals the facts they need to make more informed choices that can help improve quality outcomes and reduce healthcare costs. Learn more about Aetna and other SAS success stories, or view our free on-demand Webcasts.

www.sas.com/aetna



can provide advice, but it's my team," the scion says.

Short of immortality for Irwin Jacobs, Paul is as close as Qualcomm shareholders can get to having Irwin in the corner office. Father and son walk and talk so much alike that people at the company refer to them as "intergenerational twins." Both are tall and trim. Both logged nine years in college and grad school. Both hold doctorate degrees in electrical engineering. Irwin has his name on on at least 12 patents; his clone, Paul, has 31. When Paul was in high school he and his dad worked together to write encryption software for a calculator.

Irwin Jacobs, 72, grew up in New Bedford, Mass. and earned his Ph.D. in electrical engineering at Massachusetts Institute of Technology. He taught at MIT before heading to UC, San Diego in 1966 to help start the school's engineering department. He stayed there for six years, along the way starting his first company in 1969: Linkabit, a defense contractor that designed software for satellites.

In 1976, when he was still in junior high school, Paul got his first summer job there in the drafting department. He also showed an early entrepreneurial flair, selling skateboards in high school to earn pocket money. The Jacobs household was a testosterone-rich world where sports and competition reigned. His father was intense and proficient on the basketball court. "There were lots of broken fingers," recalls Jeffrey Belk, a childhood pal who now runs marketing at Qualcomm.

Irwin Jacobs sold Linkabit in 1980, netting a reported \$25 million for himself and starting Qualcomm with a handful of cofounders and engineers in 1985. By this time Paul Jacobs had finished undergraduate studies at UC, Berkeley, staying on to get a Ph.D. in electrical engineering. In 1986 he became Qualcomm's 31st employee, though at first he worked there only in the summers.

Qualcomm started out making satellite-based tracking systems for trucking companies, but Irwin had far bigger plans: selling the world on a new digital way to connect cellular calls and carry 40 times as much traffic as the old analog systems then in place. Irwin Jacobs used a

design scheme called CDMA, for "code division multiple access."

At the time cellular calls flitted from tower to tower under an electronic protocol later known as GSM (Global System for Mobile), a group effort whose three progenitors—Nokia, Ericsson and Motorola—had pooled their patents and didn't charge one another any royalties. Qualcomm disrupted this cozy triopoly and sought to lock up all CDMA patent fees for itself—bad sportsmanship, in the view of the rest of the industry.

The CDMA design now reaps more

adult life. At UC, Berkeley he was deemed one of the most talented engineering students in his class, although instead of bounding into communications as his father had done, Paul focused on robotics.

He had an aptitude for networking, hooking up friends for jobs at Qualcomm and starting an intramural volleyball team, mainly to meet women; this is how he met his wife, Stacy. He threw great parties, and one raucous affair ended with a couple of professors passed out on the sofa. The occasion: celebrating that Paul had aced an exam.



Intel blew **billions** on phone chips, so it's going after Wi-Fi and Wimax.

than \$2 billion a year in patent fees for Qualcomm, which collects a de facto tax of 5% or so on the wholesale price of one-quarter of the 750 million cell phones sold around the world every year. Some 90% of this fee flow goes into earnings before taxes. Qualcomm's CDMA-chip business brings in another \$3.3 billion in sales, with 26% of that sum ending up as pretax profit.

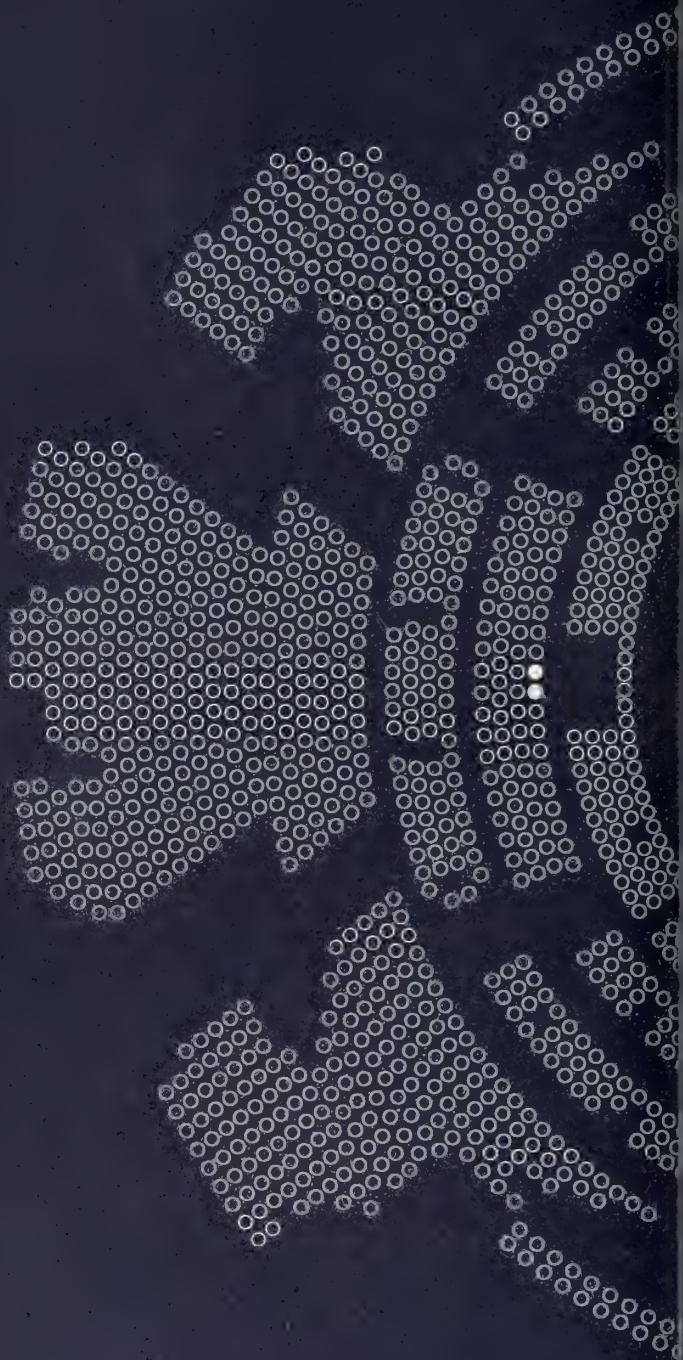
Thus Qualcomm was all but guaranteed a fair amount of success, for a while, no matter who eventually took over for Irwin Jacobs. It is a role for which Paul Jacobs had been groomed for most of his

Paul stayed at Berkeley for nine years doing a Ph.D. dissertation on robotics and then moved to France in 1989 for post-doc studies. His mother wanted him to become a professor as his father had done, but Irwin wanted him to join Qualcomm. In 1990 he did, showing up to work in a sleek black Infiniti and parking in a company lot filled with beaters.

Father and son soon developed a laconic way of communicating in the office. They called each other by their first names (never "Dad" or "son"), and the first rule was: no hugs. "In a family setting I might give him a hug," says Irwin, "but



THE ROYAL OPERA HOUSE, COVENT GARDEN, LONDON



JOHNNIE WALKER



OUR HARDEST AND MOST EXCLUSIVE BLEND

PLEASE DRINK RESPONSIBLY Johnnie Walker® Blue Label® Blended Scotch Whisky.
©2005 Imported by Diageo North America, Inc. Norwalk, CT. blended Scotch whisky. 40% Alc./Vol.



Qualcomm family values: proud parents Irwin and Joan (center) with their four sons, Hal, Paul, Jeff and Gary, and daughters-in-law. Paul's wife, Stacy, is at far left.

don't do that at the company."

Paul instantly sensed that his colleagues had their doubts about him. People thought Irwin did the homework for him at night and gave him the answers," says Allen Salmasi, who was Paul's boss and remains a mentor of his; he still holds a Qualcomm stake. "You have to work twice as hard to be seen as the same," Paul says.

But Irwin's heir soon came to be regarded as a brilliant and intense competitor, much like his father but marked by a macho, I'll-show-you attitude of someone who has something to prove. He still does: at a fantasy basketball clinic in 1998 with NBA icons James Worthy and Clyde Drexler, Jacobs got faked off a dribble by a colleague and, in frustration, threw an elbow that almost hit a woman player. At a recent bar mitzvah party for someone else's kid, Paul and a pal waged an impromptu push-up contest; Paul passed 60 and won. "I was completely sober," he says.

At a Qualcomm developer conference, Paul hid in costume in the rafters above the stage for 45 minutes, an ambulance waiting outside in case something went wrong, while a videogame of fighting ninjas played on a big screen. The screen disappeared to reveal real ninjas onstage; then Jacobs toppled 30 feet down and ripped off

his mask. The crowd of 2,200 roared.

Early on he showed a penchant for commonsense analysis and maneuvering behind the scenes to get what he wants. Upon joining Qualcomm, Paul was thrown into a group of engineers and was a bit out of place. Qualcomm was ruled by "radio guys" like his dad, engineers steeped in the arcana of making airborne signals travel as far as possible using as lit-

trio worked on an approved project while devoting stolen hours to Paul's effort for six months. When he finally revealed it to his father, Irwin relented. CDMA's high voice quality later attracted an array of carriers in Asia, where languages demand precision.

By 1995 Qualcomm's CDMA standard had emerged as the major rival to GSM, as carriers in Korea and Hong Kong built their networks around it. They needed CDMA phones but the GSM guys had no interest in helping the new design catch on—so Qualcomm got into the handset business itself, striking a joint venture with Sony. The big shock: Irwin Jacobs named his son, then age 32 and with all of five years of experience in the working world, to run the new venture, passing over Richard Kornfeld, a senior manager who quit shortly afterward.

Paul Jacobs promptly committed a few key strategic errors. As rivals began moving manufacturing to cheap outposts in Asia, Jacobs set up a factory in ritzy La Jolla, Calif., hiring 2,000 workers to assemble phones; he says they needed to be near the engineers designing the line. Motorola sued Qualcomm, alleging it ripped off the design of its popular StarTac clamshell phone. (Qualcomm won the suit.)

The job went to Paul, even though the Jacobs family owns only **3%** of the company.

tle power as possible. Paul, without much training in communications, did "apps," a less-revered assignment to think up ways to convert signals into voice, video and music.

One of his first assignments was to help design vocoders, the software in phones that synthesize speech. His father demanded a lower-quality vocoder that would spare precious radio-wave spectrum. Paul balked when he tested one by calling home and hearing his wife sound terribly metallic—carriers would never put up with that.

So in 1993 he began a three-person skunkworks to develop a better version, without telling his father. His engineering

At one point, as Paul and his engineers struggled to fix a horrible shrieking sound they couldn't silence in the first batch of phones, he felt so under stress that "I could have walked into a wall and not felt it," he says. Later he had to shut down the factory for two months after recalling a phone with a faulty keypad.

He also feuded with his father over the distribution of Qualcomm-made chips and phones. Paul wanted an early allotment of CDMA chips for his new line, but Irwin insisted, wisely, that all phone-makers should get to place orders. Also, Paul wanted to wield control over which carriers got the new phones, based on need and order size, while Irwin wanted

to favor the Asian services that were first to embrace his CDMA scheme. Paul dealt with this in a crafty way: He invited spurned carriers, angry that they couldn't get enough phones, to complain directly to Irwin Jacobs, who soon caved in to the gripes and let Paul handle it.

Sales of the new phones rose briskly as CDMA caught on, hitting \$1.5 billion by 1999. But Qualcomm, though it should have dominated the new business, couldn't turn a profit. Korean makers LG and Samsung—making CDMA phones with Qualcomm's chips—began bombing the U.S. with far cheaper models, undercutting Qualcomm's handset business. Irwin argued for fleeing the tough business, and Paul acceded. Qualcomm sold the business to Kyocera of Japan for \$242 million in 1999, after it racked up \$200 million in operating losses. It took a \$83 million aftertax charge on the sale.

Paul is a little glib now about the misadventure. "We built phones in La Jolla—the low-cost labor capital of the world!" he jokes. But he takes responsibility. "If you want to give me the dings, I'll take them," he says. Although he adds: "There were a lot of cooks stirring that pot."

He then set out to become Qualcomm's Internet czar, running a string of projects, most of which failed. He turned a \$260 million profit on an early stake in upstart Phone.com, now Openwave. But Wingcast, an attempt to build an "Internet on wheels" in Ford cars,

similar to what GM has created with OnStar, faltered and was a \$25 million writeoff. Wireless Knowledge, formed with Microsoft to build software for mobile phones, fizzled. Digital Cinema, a deal with Technicolor to replace movie reels with digital transmission, shut down.

Jacobs had better results with Brew, a layer of software that lets games and other apps get loaded onto phones and also handles billing. He launched it at an event in Tokyo in 2001, delivering a speech in English and believing it was

one of three Qualcomm presidents. year later Irwin told the board he would retire in 2005, though it was already clear he wanted Paul to take over. "He was the odds-on favorite," says the younger Jacobs son, Jeffrey, 39, who runs global sales. (The oldest, Gary, runs a charter school in San Diego; the second-born, Hal, worked at Irwin's first firm in the 1980s but now mostly golfs.)

Earlier this year Paul sought advice from Brian Roberts, who in 2002 inherited the top job at Comcast from his father, Ralph. "Paul, you'll have you

"Paul, you'll have your chance, but in the beginning 80% depends on your father."

being translated into Japanese; it wasn't. Today Brew adds revenue of \$120 million or so a year. It is used by 56 carriers and 39 phonemakers.

Irwin's son also embarked on wooing content providers and ended up chatting with another business scion: Shane McMahon, son of founder Vince McMahon of World Wrestling Entertainment. They met in Los Angeles, heading to Staples Center afterward to watch a Smackdown event. While a startled Paul Jacobs looked on, Shane, still in the clothes he wore at their meeting, jumped into the ring to wrestle.

In 2001 Irwin Jacobs named his son

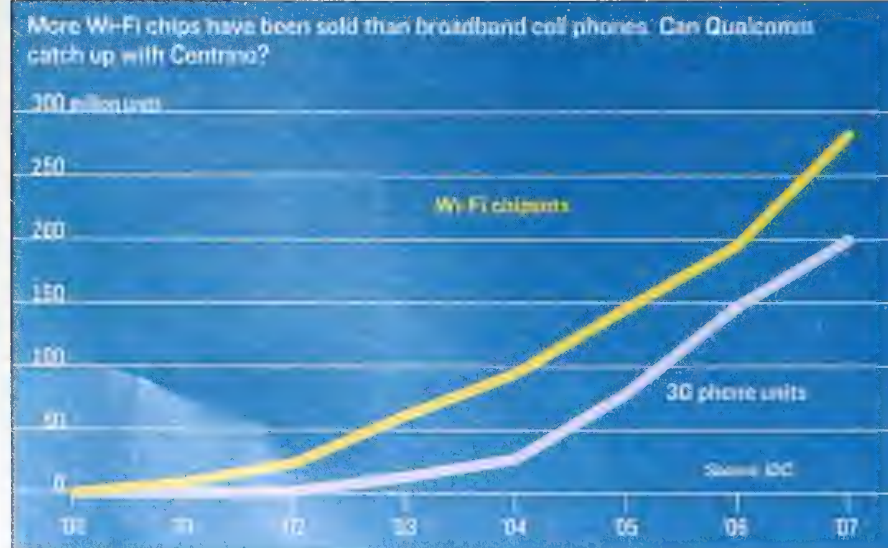
chance," Roberts told him, "but in the beginning 80% of it depends on you father and having his support."

Since Paul Jacobs became chief executive in July, Irwin has kept his distance. When Qualcomm moves to a new campus next year, Irwin will be in an office far down the hallway from Paul's corner suite. In August Paul, with Dad's blessing, struck an \$805 million deal to buy a New Jersey upstart, Flarion, which zaps signals at 1.5 megabits per second using Wimax-like electronic format. Now, he says, if Intel wants to push Wimax, it may have to license Flarion patents from Qualcomm.

Next year Qualcomm launches its MediaFlo service, offering carriers 15 live TV channels and 40 channels of video clips; it is spending \$800 million to set up the net. It grew out of a random chat Paul had one day in late 2001 with Sanjay Jha, who now runs Qualcomm's chip division. Paul pulled out his new iPod handheld player and rhapsodized, "It is so cool." Soon they were what-iffing. Wouldn't it be great if you could hear song on the radio and buy it and download it at the press of a button on your phone? "And that is how MediaFlo was born," Jha says.

It's another long shot, but Paul Jacobs is undaunted by skepticism about the huge capital drain. Says he: "I think having people underestimate you is a good thing." I

Intel Attacks



Flexjet and the Challenger 604 We Offer You The World



Fly To Europe and Hawaii Without Positioning Fees

If you want the world, travel in the aircraft and fractional ownership program designed for it. Expand your reach in a cabin that takes comfort and productivity to more refined levels. Fly beyond boundaries with new fee options that create opportunities. Experience luxury reserved solely for Flexjet[®] owners – onboard the Challenger[®] 604, the world's bestselling large business jet. Now with even more room to conference, relax and sleep. Meet in London. Recharge in Hawaii. So you want the world? It's yours.

Go further – with no positioning fees to Europe and Hawaii. Call 1-800-FLEXJET or visit flexjet.com.

BOMBARDIER

**BOMBARDIER
FLEXJET**



I Want My MVNO!

It seems everyone is a wireless company these days—especially folks who don't own their own networks. That's good news for Visage Mobile.

By Erika Brown

IN LATE AUGUST 50 AMERICAN AND Japanese executives gathered at the swank Montage Resort & Spa in Laguna Beach, Calif. to celebrate the launch of a luxury brand dubbed Voce. Its young founders, decked out in designer jeans, Prada kicks and sunglasses, arrived for their interview by the pool with a five-person entourage in tow. They discussed their plans to offer exclusive designs and services to a wealthy, image-conscious clientele.

Voce is one of the hottest new labels on the market—the cell phone market. It is the latest example of an emerging business called a mobile virtual network

operator, or MVNO. An MVNO buys wholesale minutes from a wireless carrier, customizes its services, content and devices, then repackages them for sale to niche markets defined by age, nationality, interests and even sexual orientation. They promise to rescue mobile users weary of being ignored or abused by the big carriers.

"To reach the mass market, the big carriers tried to be all things to all people, and it ended up being their downfall," says Matthew Johnson, cofounder of Visage Mobile, a software outfit in San Francisco that is helping bring new MVNOs to market. "Consumer

brands and affinity groups think they can do a better job serving their customers."

Ten million people talk over MVNOs today, representing \$4 billion in annual revenue, according to Lewis Ward at research firm IDC. Ward counts ten MVNOs in the U.S. today, with more coming. In

The operator:
Visage Mobile
chief, **Matthew**
Johnson.

New Orleans in March rap mogul Sean (Diddy) Combs declared "I am an M-V-N-O!" to a cheering crowd at a tech conference in

New Orleans. Virgin and Boost already sell prepaid wireless plans to teens. Amp'd is offering a medley of music, video and games to youngsters ages 18 to 34. ESPN plans to sell voice plans with sports news,

SHORT-TERM, LONG-TERM,
YOUR TERMS.
IN TERMS OF FLEXIBILITY,
THE NEW DELL
OPTIPLEX
HAS YOU COVERED.



Microsoft recommends Windows®
Professional

NOW IS THE TIME TO

invest in the future of your business. Refresh your company's PCs with the new Dell OptiPlex solution. Unprecedented stability and smooth application transitions. Get more from your desktop investment and

GET MORE OUT OF NOW.

THE NEW DELL™ OPTIPLEX™ GX620 FAMILY DESKTOPS
GIVE YOU THE POWER AND PRODUCTIVITY OF INTEL®
PENTIUM® 4 PROCESSORS WITH HT TECHNOLOGY.

DELL

For more about Dell solutions
Click www.dell.com/opti23
Call (toll free) 1.877.443.DELL

cannot be responsible for errors in typography or photography. Dell, the Dell logo and OptiPlex are trademarks of Dell Inc. Intel, Intel Inside, the Intel logo, and Pentium are trademarks or registered marks of Intel Corporation or its subsidiaries in the United States and other countries. Windows is a registered trademark or trademark of Microsoft Corporation in the United States and/or other countries. ©2005 Dell Inc. All rights reserved.

A Phone for All That You Are

Being a mobile virtual network operator means picking your market and sticking to it. Here are some of the players in the U.S. market and what they're offering.

HELIO Business travelers and tech- and/or fashion-savvy folks between 18 and 34 who want the latest gadgets and content from phone-forward Korea.

VOCE High-end, high-touch cell service. Luxury retail outlets, in-home product demos and new phones every three months.

VIRGIN MOBILE The first big MVNO sells prepaid service to whippersnappers.

BOOST A prepaid service for urban youth has phone models with names like Baby Phat and Tattoo.

AMP'D Stylish, youth-oriented label serves up games, sports and music using Verizon's next-gen network.

VIVA LIBERTY InPhonic announced in March that it will sell prepaid service to Spanish-

speakers who frequently call Latin American countries.

ESPN Sports channel will offer fantasy football, home run replays, hockey scores, basketball games and more.

DISNEY World's favorite family brand plans to serve up cartoon-related content and familycentric services.

7-ELEVEN A ubiquitous retail chain uses its distribution clout to hawk cell plans.

WAL-MART Still just a rumor, but the retailing behemoth could muscle in with cheap plans and basic service.

GAYMOBILE Slated to launch in Denmark, this network plans to sell ringtones to indicate sexual preference. A U.S. version could be next.

—E.B.

scores and games beginning next year. Disney is going to imbue a wireless service with its family-friendly image and stable of cartoon characters. Helio, a venture between SK Telecom and Earthlink, is jumping in (*see box*).

Carriers, who pay \$300 on average to acquire a customer at retail, are cautiously embracing the trend. By selling minutes wholesale to a consumer brand with its own advertising budget, the carrier gets new subscribers for close to nothing. The gross margin for a wholesale customer can be as high as 75% compared with 40% to 50% for a retail sign-up. So far in 2005 Sprint has added 1 million wholesale subscribers, amounting to nearly one-third of the company's net subscriber growth, even though wholesale is only 10% of its 46 million subscribers.

Visage's Johnson saw an opportunity in outfitting the cellular upstarts with the technology they need to become virtual phone companies. If an MVNO were to tackle the problem on its own, it would need to buy a customer relationship application from, say, Siebel, a data platform from OpenWave and billing software from Convergys or Amdocs. Add in consultants from Accenture or IBM to stitch it all together and you're looking at two years and \$50 million to \$100 million.

Visage's Web-based software links

MVNOs to network operators and subscribers and runs much of the customer service. Visage claims it can get an MVNO up and running in less than six months for \$2.5 million. It charges \$3.50 to \$8 per month to host and manage each subscriber. "Most of our clients are media companies, not technology companies," says Visage's Johnson. "We allow them to focus on what they do best." So far he has deals with Voce, ESPN, Disney and Primus Telecommunications.

Johnson founded Visage in 2001, when he was an entrepreneur-in-residence at St. Paul Venture Capital looking for new businesses. He might have started his own wireless company if not for the prohibitive startup costs. But with Virgin Mobile beginning to make headway as the first big American MVNO, Johnson saw an opening for someone to manage the behind-the-scenes technology.

He has raised \$50 million from St. Paul, Emergence Capital Partners, Worldview Technology Partners, Mobius Venture Capital and others. He recruited his chief information officer from Virgin Mobile and his head of operations from Sabre, the airline reservation system. Johnson contracted with Convergys, which handles billing for biggies like Sprint and British Telecom, to translate the carriers' fee structures into the rate

plans appropriate for each MVNO client. Convergys also hosts all of Visage servers in its data centers, so the data swap is smooth.

Visage makes it possible for Voce to offer a deluxe service with a \$1,500 sign-up fee and a flat rate of \$500 a month. For that money subscribers get unlimited calling, data downloads and personalized, human service, as well as a new phone every four months. Visage will let them pick from Cingular, Sprint or T-Mobile.

When a new ESPN subscriber calls or logs on to the ESPN Web site to sign up for a new account, Vis-

age's software kicks in, offering lots of pricing and content choices. If the new subscriber is a fantasy football fan, he might want to trade players over his phone but not want a constant score ticker on his screen. Likewise, a die-hard hockey fan might want Gamecast, ESPN's player-by-player stats service, but only during hockey season.

Timothy Weingarten, a venture capitalist at Worldview and a Visage board member, sees Visage expanding into offering phone services for hotel chains and other big brands in Europe and Asia. He thinks revenue can reach \$100 million in a couple of years.

Unless the trend cools off. Carriers are being bombarded with pitches by MVNOs. David Bottoms, a vice president at Sprint, says he turns down 95% of the people who come to him wanting to start new ones. And many of those that make it will prefer to handle all these services in-house. Helio uses the billing and infrastructure technology created by its Korean telco partner, SK Telecom. InPhonic assembled its own MVNO, Liberty. Says Peter Adderton, chief executive of Amp'd: "You can't get great customer interaction if you outsource your technology and customer service." Wireless companies have a hard enough time with that as it is.

Forbes

CEO FORUM

XL Capital reads the Word

XL Capital group of companies is pleased to sponsor this document, an executive briefing on the Forbes CEO Forum, as well as the Forum White Paper to be distributed to Forbes CEOs. The Forum is one of the most important thought leadership events in the corporate calendar. Its assemblage of a broad range of business acuity and experience guarantees a stimulating exchange of ideas in a group with the power to effect change. Our commitment was to ensure that the information generated at this event on Mackinac Island, September 19-21, would benefit long after the debating and discussing had drawn to a close, and we hope is demonstrated in this informative executive briefing Forum White Paper. We believe seasoned leaders make better decisions for their companies and their shareholders, and ultimately benefit the global business community. We hope you will enjoy and benefit from these comments.

O'Hara, CEO, XL Capital Ltd

THE FORBES CEO FORUM spotlight on Instability

The Forbes CEO Forum, which provided the source of information for this section, was held on Mackinac Island, Michigan's Mackinac Island, September 19-21. Hosted by the Michigan Economic Development Corporation, the forum assembled global corporate leaders and prominent academics for an opportunity to discuss winning business strategies and tactics. To read about these and other topics in greater depth, go to www.xlcapital.com or www.forbesconferences.com/ceoforumwhitepaper.pdf.



China panel with Gail Steinel, Donald Straszheim, G. Allen Andreas, Jay Rasulo and Forbes magazine Silicon Valley Bureau Chief Quentin Hardy

Mastering Instability

Can your business survive the raucous 21st century?

Does the global economy offer businesses conditions to flourish, or to founder? That's the basic question facing senior executives, and the evidence is piled high on both sides. While statistics show a healthy U.S. economy, with interest rates at 40-year lows, mild inflation and 4.9% unemployment, experience suggests a gloomier picture:

- **The U.S. is heavily indebted to China** and continues to borrow money at a rate of \$2 billion each day. What happens if China turns off the financial spigot?
 - **A restrictive U.S. immigration policy** combined with a relentless entrepreneurial spirit in China and India are draining away the pool of brilliant minds from business and research centers. Where will companies find qualified engineers and scientists?
 - **Convergence has become a reality**, as seen with the cell phone, which in the space of only a few years has morphed into a PDA, a camera, the Internet, a stereo and even a TV. How does a company define its boundaries as its products spill into new industries, each accompanied by its own set of challenges?
- How should business leaders of the 21st century think about these and other forces shaping their world?

- **Hurricane Katrina proved tragic**, but global warming may bring potentially worse catastrophes, such as the melting of glaciers in the Himalayas, the source of water for 40% of the world's population. What are the implications to markets if that water disappears?
- **Entire U.S. industries** are being flattened by China and India, a product of their demographics, skilled yet low-cost labor and strong work ethic. How can companies reinvent themselves to stay alive?
- **Innovations**, such as those in nanotechnology and radio frequency identification (RFID), will alter the competitive landscape. Which companies will benefit, and which will fail?

The Risks Defined

Plan for instability—not stability—is the overarching message to CEOs from C.K. Prahalad, distinguished professor at the University of Michigan's Stephen M. Ross School of Business. Many of the factors of instability have a long gestation, says Prahalad, and while companies should see them coming and formulate a strategy, many do not or simply cannot.

Take the sacrosanct area of health care, for instance, and consider the case of prosthetic devices. Manufactured in the U.S., a prosthetic foot might cost about \$12,000, says Prahalad, and take several months to fit.

Sharp-witted entrepreneurs around the world

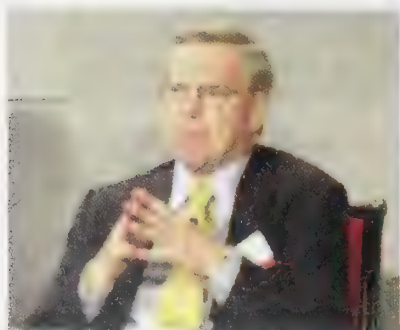
are prying open the door of every conceivable economic activity, and what they are offering can steamroll well-established competition.



"Business survival requires a long-term perspective on what can change, and a short-term capacity for adaptation. The real question is: Are we organized to do this?"

C.K. Prahalad, Ross School of Business distinguished professor, on the most important question every business leader must ask

Global Changes Are Redefining The Agenda Of the CEO



"The U.S. economy is on life support from the Central Bank of China."

Clyde Prestowitz, author of *Three Billion New Capitalists*, assessing America's \$2 billion a day habit for debt

Manufactured in India to a higher degree of engineering, a prosthetic foot costs just \$50 and can be fully fitted in only eight hours. "If you needed a prosthetic device, you could fly first-class to India, pay for it, have a great vacation and still come out ahead," says Prahalad.

Parallels are seen in other areas of health care. Cataract surgery might cost \$3,000 in the U.S., but only \$30 at one of India's world-

class hospitals; pediatric cardiac surgery can reach upwards of \$150,000 at home, but costs just \$4,500 abroad—and is performed to exacting standards. He warns that a lot more than call centers are migrating to India. Sharp-witted entrepreneurs around the world are prying open the door of every conceivable economic activity, and what they are offering can steamroll well-established competition.

A Taste for Things Chinese

As China booms, many U.S. companies see opportunities beyond outsourcing and low-cost manufacturing. Instead, they want to tap this vast new consumer market. The two ways to advance successfully, says Gail P. Steinel, a BearingPoint executive vice president, are first, to understand the China market and develop China operations to maximize global supply chain advantage; and second, to rely on local talent to create brands that are palatable to local tastes. "You can bring a Western brand to China, but you need to make it relevant for the Chinese," says Steinel.

"The last 18 months, we've spent most of our time ... educating people about what Disney's stories are and what the Disney experience will be," says Chairman Jay Rasulo.

"And we do that through storytelling, which is our art anyway. We've been on television kind of like Walt [was] in the 1950s. We've had the Magical World of Disneyland on television with a Chinese host, showing full-length Disney movies in Hong Kong and southern China just to prepare people for what to expect and who we are and the depth of our stories."



Breaking the Labor Model

It's time to scrap the old adversarial relationship between labor and management, according to Ron Burkle, founder and managing partner of The Yucaipa Companies, whose pragmatic approach to labor is responsible for reinvigorating failing supermarket chains. Avoiding crippling strikes is critical; victories are Pyrrhic since they usually only help the competition.

Burkle advises management, starting with CEOs, to have an ongoing dialogue with workers, instead of sending in a heavyweight negotiator just at contract time. By establishing mutual trust, labor can be an ally, and even offer up valuable information about the inner workings of the business. Volatile times, says Burkle, are not conducive to forging a sudden friendship with wary workers. "There is no trust in a crisis," he says, where panic swings from job security for employees and the bottom line for the CEO.



"There is no trust in a crisis."

Ron Burkle, Founder & Managing Partner
The Yucaipa Companies

SPACE: THE ULTIMATE EMERGING MARKET

What about the competition coming from China? India? How about outer space? While businesses are eyeing earthly competitors, others are planning a future—coming quicker than you might suspect—that involves space travel, for fun and profit. Offering more than just a \$20 million joyride, private space travel and exploration could fundamentally alter the energy and resources available to Earth. “All of the resources that we value on Earth, the things we fight over and the things we worry about that are critical for our future, are available in unlimited quantities in space,” says Eric Anderson, president & CEO of Space Adventures, Ltd. He foresees a future in which people can beam energy back to Earth, live or locate manufacturing facilities in space and mine scarce resources from asteroids.

The New Mothers of Invention



Panel with Marc Miles, Steve Forbes, Clyde Fowles and Rich Karlgaard moderating

A country famous for billionaires who got started in America's garages, the message to startup leaders from a group of unconventional entrepreneurs, inventors and risk takers is simple: We're still here, and plotting new ways to succeed. “We're all risk takers and we do it in a way that our competitors wouldn't necessarily do, because they are thinking in a completely different risk-averse way,” says Stavrou, CEO of Alien Technology.

While the typical company is scrambling to solve problems, the upstart Alien Technology has a solution looking for a problem, in this case, a revolutionary process to manufacture millions of chips cheaply. But why would anyone need this many? The answer lay in marrying this process with radio frequency identification (RFID) technology.

The tags, which are embraced by Wal-Mart and the U.S. Dept. of Defense, are affixed to everything from cartons and individual retail items and transmit data that enables continual tracking along the supply chain, right to the consumer. Thanks to its low-cost production capability, Alien Technology's tags have captured 75% of the market, and they are poised to supplant bar codes and transform the supply chain.

Rather than believing the cliché that U.S.

manufacturing is dead, Eclipse Aviation targeted ways to modernize and improve the building of aircraft at a lower cost. “Aircraft are basically built the same way they had been in WWII,” says Vern Raburn, the company president & CEO. While its competitors require 60 to 90 days to build a jet, Eclipse Aviation takes just nine days in a process that involves partners who manufacture all components.

“This is the exact antithesis of how aircraft are traditionally manufactured,” says Raburn. The company's first jet, the Eclipse 500, will be delivered next year. Waiting in the wings are orders for 2,300 more. “You have to play to your strength,” says Raburn. “And the strength for this country is, and will continue to be, our ability to think through a better way to do things.”

A decade ago, Cisco was the bright new kid on the block. Now Simon Lok wants to eat the technology giant for breakfast—if he ever stops to eat. With a commando team of technology geniuses, Lok is committed to crashing the gates of companies that produce what he views as inferior products at inflated costs.

He is on the right track, with a steady stream of orders and venture capitalists knocking on his door. His pithy operating philosophy sets the tone for other mavericks to emulate: “I don't just want to build a better mousetrap. I want to kill mice.”

Whether a company faces challenges out of fear of competition, sheer intellectual excitement or pursuit of lucrative business really doesn't matter. The path always leads to the same place—ingenuity, risk-taking and spotting opportunity where others only see instability.

Top 10

WORDS FROM THE WISE

While the experts didn't agree on everything at the Forbes CEO Forum, they did come to a consensus on the 10 most important points that will help companies survive the 21st century:

1. Globalization is no longer just about competitive products; it's about competitive brain power.
2. Just because everyone believes an industry is dead doesn't mean it is. Find a way to reinvent it, and you will gain an important competitive advantage.
3. When making forecasts, plan for the worst-case scenario, and act accordingly.
4. In a borderless world, the business responsibility to society is larger than ever, and subject to far more scrutiny.
5. Don't rivet your attention on the obvious competitor: It's the unseen maverick who will most likely sink you.
6. If a practice is widespread—such as illegally downloading music—rather than focusing on ways to stop it, focus on ways to profit from it.
7. If relations between labor and management have soured, the fault always lies with management.
8. Learn from your best customers; you'll have fewer unwanted products in the discount stores.
9. Don't complain about the dearth of unskilled workers; instead, form partnerships with community service organizations that will train workers to your specifications.
10. Be mindful of the fact that, through convergence, the product you manufacture today may straddle several new boundaries tomorrow.

For greater detail on these and other issues, go to www.xlcapital.com or to www.forbesconferences.com/ceoforumwhitepaper.pdf.

"You have to play to your strength."

MICHIGAN: Life Beyond the Auto

Michigan Governor Jennifer Granholm is the first to admit it: "Our economic table has been built pretty much on one leg," namely the automobile industry, which global competition has nearly toppled. To balance itself, Michigan—which now serves as a model for other states, as well as industries under siege—is determined to build four new legs to support itself by:

- Fostering technological innovations that will be part of the 21st century automobile
- Prodding the state's 15 public universities to capitalize on their patents in life sciences
- Bringing the first cars to market that operate on carbon-free fuel cells
- Creating lightweight, fuel-efficient vehicles for homeland security and defense

"We're not abandoning the automobile," says Granholm, "but like any business, we're working hard to build on our strengths in changing times."



"You have to play to your strength. / the strength for this country is, / will continue to be, our ability to th / through a better way to do things."

Vern Raburn, President & CEO, Eclis Aviation Corporation



"I want to kill them all. I want to cr / them. Because these incumbents / selling stuff that doesn't work. And th / annoys me."

Simon Lok, the 26-year-old Chairman of Lok Technology, revealing the sangfr / of the 21st century entrepreneur

The fundamental strength of XL Capital Ltd companies helps businesses to invest in infrastructures that promote increased trade and commerce. Our companies provide commercial property/casualty/specialty insurance, reinsurance, financial risk and credit products. We are strong partners. INSURANCE | REINSURANCE | FINANCIAL Experience our strength. www.xlcapital.com

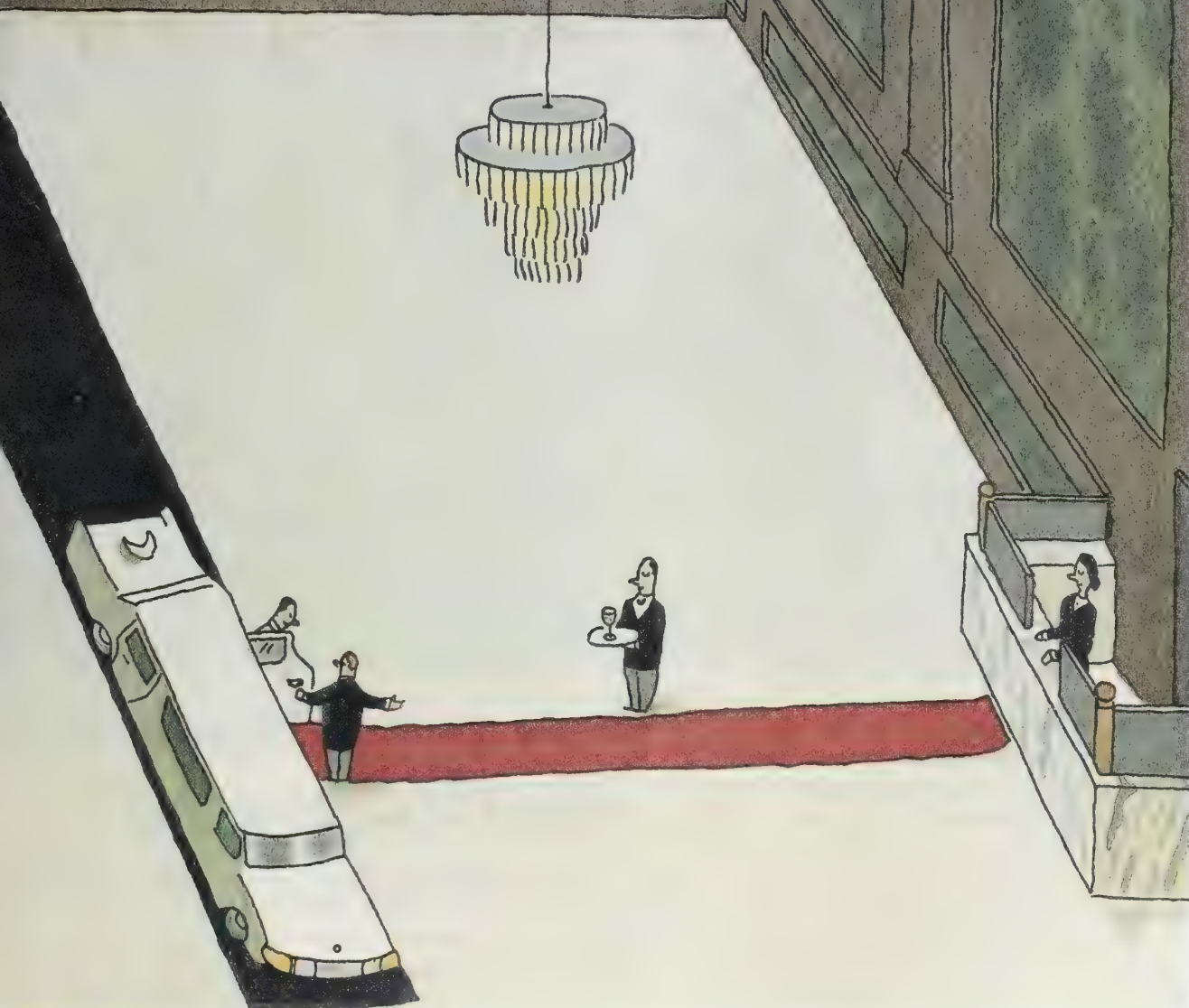
The XL Capital group is rated A+ by AM Best.

XL CAPITAL
FUNDAMENTAL STRENGTH-CAPITAL AND PEOPLE



Daddy Warbucks Banking

Everywhere on the globe private bankers are crawling out of the woodwork to cater to millionaires. There's a lot of business to be had | By Richard C. Morais



WITH HIS HARVARD M.B.A. and a linen handkerchief poking out of a breast pocket, James Essey is the picture of contented second-generation wealth. He runs TemPositions Group of Companies, a \$35 million (revenues) temp firm his father

founded 43 years ago in New York City.

Essey, 49, is at a crossroads in life, thinking about how and when the family wealth might pass to his daughter, who is 14. He has rewritten his will, restructured his life insurance and is considering leveraging TemPositions' balance sheet in order to diversify and earn higher returns.

The last time he called on wealth experts so intensely was in the 1990s, when he inherited shares in the company from his father and bought out his sister. At that time he had accountants, trust attorneys and corporate bankers helping him pull off the deal. "I remember this incredible conference call," he says. "I was just



We are family: "throwback" New York bankers Howard Milstein and William Fuhs.

thinking about all the billable hours, with these six different folks all on the clock during this one call."

This time around Essey is tapping the expertise of New York Private Bank & Trust, a new institution catering to wealthy people. At his first meeting at NYPB&T this summer, Essey found himself sitting opposite the chief investment officer, trust and estate specialists, a tax attorney and the bank's chief executive, all of them brainstorming a coordinated approach to his finances. "It's just so much more efficient to have one general contractor," says Essey.

Last year Capco, a consulting firm headquartered in Belgium, produced a startling report entitled "The Emerging Crisis in U.S. Banking Profitability," which convincingly argued that the mainstream commercial and individual banking business was about to enter a prolonged dry spell of price competition and compressed profit margins. The report, though, missed one bright spot: banking services for prosperous customers. Merrill Lynch and Capgemini count 8 million people in the world with

a net worth in excess of \$1 million. That number will grow rapidly as the emerging middle classes of India and China become prosperous and as new wealth is amassed in Latin America, the Middle East and eastern Europe. Their collective net worth of \$25 trillion is growing at 6% a year, says Boston Consulting Group.

Net new money among 120 private banks jumped **62%** last year.

"The banking revenues generated by this very wealthy group of clients comes to over \$250 billion a year," says Clive Bannister, head of HSBC Private Bank. Let's put that in perspective: Private bankers are generating roughly the same fees as investment bankers.

Scorpio Partnership, a consulting firm in London, studies 120 wealth managers, from Swiss-style private banks to U.S. brokerages like Merrill Lynch. The very rich and their bankers suffered like everyone else in the downturn of 2000 and 2001 but have since resumed their accumulation of assets.

Pretax profits at the banks in Scorpio's universe increased 30% last year; fee-generating assets under management for affluent individuals increased 13%, to \$6 trillion. There are 16 banks each managing over \$100 billion in rich people's assets. Net money (net of departures) flowing in Scorpio's benchmark banks was \$42 billion last year—a remarkable 62% jump.

Consider just two emerging markets: India and Russia, and only that wealth belonging to families with at least \$5 million in net assets. This pile adds up to \$250 billion, or 5% of what their peers possess in less-populated North America. But India's and Russia's wealthy enclaves each grew 19% between 2003 and 2004 as against just 5% in North America.

Of course, serving the ultrawealthy is easier said than done; it usually takes two years of cultivating a prospect before the private banker sees a dime. Once the millionaire is hooked, however, a relationship manager might find him a structured derivative for his finances, a boarding school for his teenage son or medical treatment for a brother. He could restructure the customer's holdings, acquire an apartment for the mistress or go shopping for jewelry with the wife. One prominent American patriarch instructed his private banker in New York to buy a gold hoard and physically store it in Zurich—a hedge against a dirty bomb in the U.S.

"Private bankers," explains Fidelity

Goetz, chief executive of Credit Suisse in North Asia, "join a unique circle of trusted people—the priest, the personal physician, the lawyer—surrounding the individual. Sometimes we know more about him than his spouse."

London's HSBC, the world's second largest bank only seriously got into private banking a decade ago when it created a small unit within its investment bank. In 1999 and 2000 HSBC blew through \$2.2 billion buying three private banks including Edmond Safra's Republic New York Corp. Today HSBC's private bank is

SAS® SOFTWARE FOR
BUSINESS INTELLIGENCE AND BEYOND

SAS BUSINESS INTELLIGENCE

The Power to Know. why other BI vendors have arrived too late.

WANT PROOF?

Check out our Web site
to learn why analysts
and customers agree:

SAS Business Intelligence
is fast, simple, consistent
and accurate.

While other vendors are playing catch-up — by just now introducing their BI approaches — SAS continues to lead the way in the business intelligence market. When you consider investing in or upgrading your current BI software, talk to SAS about our proven successes.

- Unmatched Enterprise Intelligence Platform
- Nearly 30 years of BI experience
- Undisputed leader in business analytics
- More than 4 million users at over 40,000 locations worldwide
- At work in 94% of FORTUNE Global 500® companies

go Beyond BI™ at www.sas.com/sasBI • Analyst case study

Service Is Never Out of Fashion

LONDON'S C. HOARE & CO. IS A 333-YEAR-OLD PRIVATE BANK ON Fleet Street and in its eleventh generation of management by the Hoare family. It's a classic bank partnership, with each of the Hoare family partners facing unlimited liability, and it offers clients a range of services, from checking accounts to overdrafts. Clerks scurry in the Dickensian front hall known as

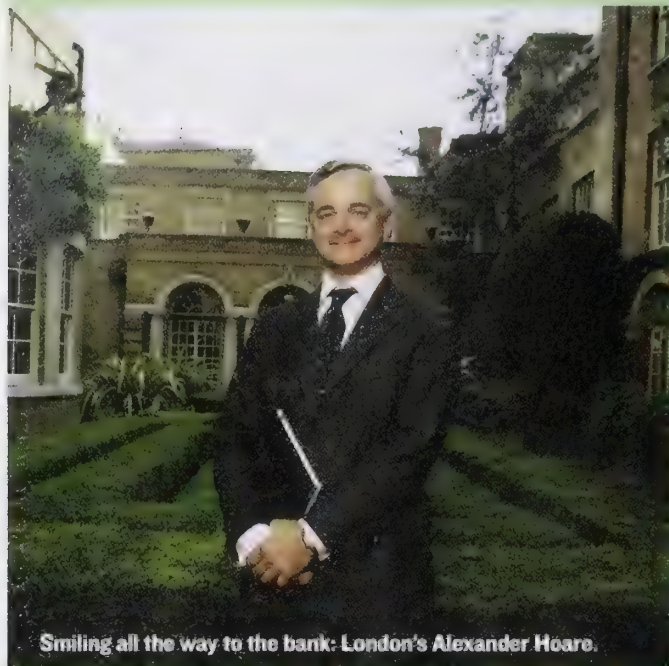
"the shop," while clients and partners lunch in the elegant dining room upstairs. The bank tithes 10% of its pretax profits to charity, and when Chief Executive Alexander Hoare points out a bank document in the library, dating back to the South Sea Bubble, he says dryly, "We've kind of done bubbles."

How does this anachronistic bank survive? Not on its structured derivatives but on its exceptional service. Need a \$1 million loan? The partners will personally deliver their decision, and the funds, within hours. Had a purse stolen while traveling? Wherever you are, the bank will solve the problem. When a customer recently traveled through the Congo, Hoare & Co. figured out how to feed him money at various river towns along his route. Says Sebastian Dovey of Scorpio Partnership consultants in London: "They are the banker's banker."

So despite the startling fees—a checking account costs \$71 a month, plus 89 cents per automated entry, for balances below \$18,000—this bank easily maintains a roster of 10,000 privileged clients. There's more to this timeless model than meets the eye. Many think private banks today need at least \$20 billion in assets to withstand the rising costs of keeping regulators off their backs. Hoare & Co. thrives with \$1.9 billion in assets, netting \$10.5 million on revenue of \$70 million.

"When a regulator asks me for information, I know exactly where I can find the data and in what computer," says Hoare, quietly sipping coffee in the bank's Georgian drawing room. "You can't say that of a UBS. No one ever talks about the diseconomies of scale."

—R.C.M.



Smiling all the way to the bank: London's Alexander Hoare.

ranked seventh in the world, and in the first half of 2005 its assets under management increased 14%, to \$183 billion.

It is Switzerland's UBS, however, that has been leading what is rapidly emerging as the hot banking formula of our day: an investment bank coupled with a private bank. The private bank takes deposits from wealthy families, and the investment bank figures out how to invest it. It can flow the other way as well: The investment bank creates a billionaire with an initial public offering, and then the private bankers take the risk out of that concentrated stock position and help invest the funds. This strategy helped UBS amass \$1.3 trillion of fee-based assets last year.

"Ninety-nine percent of the entrepreneurs who come to us are insufficiently diversified," says Jeremy Marshall, head of Credit Suisse's private bank in Britain. "Their wealth is usually tied up in one stock in one industry. And they often have restrictions on what they can sell after an IPO."

The solution is derivatives combined with leverage, that together collar the loss on a stock while unlocking the shares' value. Cash is extracted to be reinvested elsewhere, voting rights are preserved and the entrepreneur can protect himself from a fat tax bill. The fee for working such magic is suitably large. Private bankers will pitch it to the likes of Robin Li, the co-founder of China's Baidu.com who was briefly a billionaire when his company went public this summer. We know entrepreneurs who were worth \$500 million at the height of the dot-com bubble, the bankers say sweetly, but bankrupt a year later because they didn't diversify.

Most of the world's ultrawealthy will also have relationships with more than one private bank. After Europe's Stelios Haji-Ioannou took his EasyJet airline public, he signed up with the private banks of the lead underwriters: UBS and Credit Suisse. Today Credit Suisse is EasyJet's primary investment bank, and Ste-

lios uses its private bank mostly for custodial services; his day-to-day private banking relationship is with UBS' branch in Monaco, where he resides. "The UBS relationship manager in Monaco is very responsive to my needs," says the constantly traveling Stelios.

There are losers as well as winners in this turbulent market. Last year private bank assets at Merrill Lynch (where the high-end category is limited to customers with at least \$10 million) grew 10%, and at JPMorgan Chase they grew 14%. Deutsche Bank and Bank of America saw their private banking assets fall. And while UBS and Credit Suisse successfully push into onshore markets across the globe, Switzerland, long the heart and soul of offshore private banking, is losing its pole position to Singapore (see box, p. 152).

The bankers are competing not only with one another but also with the so-called family office, the do-it-yourself solution. A family with \$500 million



WE STRIVE TO MAKE YOUR CONNECTIONS EASIER.

Thanks to our global hubs and the advantage of a single check-in for connecting SkyTeam flights, we ensure you have more convenient connections wherever you go in the world. www.skyteam.com

Caring more about you™

ROMEXICO

AIR FRANCE

KLM

Alitalia

Continental
Airlines

CSA CZECH
AIRLINES

Delta

KOREAN AIR

nwa
NORTHWEST AIRLINES

might spend \$5 million a year, or 1% of assets, maintaining a staff of salaried money managers, lawyers and accountants. Sebastian Dovey, managing partner at Scorpio, guesstimates that there are between 4,000 and 8,000 family offices in the U.S. and 2,000 to 2,500 in Europe.

The CCC Alliance in Boston is a consortium of 63 U.S. families, each with a minimum \$100 million net worth. The Alliance is, among other things, a buyers collective: Members can recoup 70% of the 4 cents to 6 cents a share they typically pay during trades, and individual members' indexed funds are stacked together at Mellon Financial, typically saving another 30% in fees.

This family office movement opens the door to new competitors challenging the private banks. Fidelity, the mutual

fund vendor, is using part of its \$2 billion annual technology budget to build a wealth-management platform. Word is that it will help the ultrawealthy better separate their financial advice from the products they buy. The Fidelity platform, due out in late 2006, is currently getting

complex financial products (fund hedge funds, for example, or custom derivatives) the private banks advise the clients to buy.

"The big private banks supposedly offer 'unbiased' advice," says William Fuhs, an industry veteran now chief executive

The real vigorish—up to **5%** of assets—is in complex products they advise buying

tested with a handful of prominent American families. It's a dagger at the heart of the big private banks. Scorpio figures that the private banks' client analysis and advice generates annual fees of a mere 0.1% to 0.5% of assets. The real vigorish—up to 5%—is wrapped into the

utive at New York Private Bank & Trust. "I personally have difficulty with the phrase 'open architecture,' because inside a lot of private banks that means when the bank has little skill or poor performance or does not offer products at all—the architecture is open. But for those products where they are doing okay, or they are important products for the bank, it is still the internal product they push.

Jane Mauer runs the Minneapolis family office of the Binger family, descendants of a 3M pioneer. For eight years the family happily had its accounts at the old Chase in New York. But then a series of mergers gave rise to some unpleasant cross-selling. "The people that were left at Chase turned into salesmen," says Mauer. "They would call me about big blocks of stock, and I'd say, 'Who are you, and why do you know I have a big block of stock?'"

The Bingers are moving their business to New York Private Bank & Trust, opened a year ago by Howard Milstein, head of the prominent New York real estate family that also owns Emigrant Savings Bank. The bank's selling proposition is that customers pay an annual fee (starting at 1.25% for the first \$3 million) for portfolio management but don't pay hidden fees built into products the bank is selling because the bank has no products to sell. If a customer wants, say, a piece of a real estate partnership, he invests on the same terms, net of some bank costs, as the Milstein family. Says Howard Milstein, "We understand the needs of wealthy families because we are one."

Please turn the page for our special gatefold on the Business of Hockey. ▶

Gnomes on the Ropes

According to a 2005 survey by IBM Business Consulting Services, the majority of private bankers in Europe believe Singapore will overtake Switzerland within two years as the world's most important growth center for offshore banking. Offshore banking is defined as private banking outside a client's country of residence and is usually motivated by political risks or tax-dodging. It accounts for 7.5% of the globe's \$85 trillion of investable wealth. While onshore banking is expected to grow by 7% a year in the foreseeable future, offshore banking will manage only 4%.



Rock-solid Switzerland has traditionally been the world's safe-deposit box. But it recently has had to start phasing in a 35% withholding tax, a concession to the European Union, and that puts it at a disadvantage to fast-rising Singapore. Falling tax rates in EU countries, coupled with tax amnesties, have done the rest of the damage. Merrill Lynch figures that the 2002 tax amnesty in Italy

resulted in a \$10 billion outflow from Switzerland at just two institutions, UBS and Credit Suisse (although the banks managed to recapture a chunk through their Italian branches). Regulatory costs, inflated by new rules to stop money laundering, can account for 10% of a small Swiss bank's operating costs.

Upshot? Many fabled Swiss names—such as the Sarasin and Vontobel banks—are rumored to be up for sale (or potential buyers) as the industry consolidates. This summer Julius Baer spent \$4.4 billion buying three small private banks and an asset manager from UBS; it looks increasingly like a reverse takeover. Of course, industry leaders UBS and Credit Suisse, sniffing the chill winds of the late 1990s, countered effectively by building onshore operations across the globe. Others were less lucky. The 76 partnership private banks that existed in Switzerland in 1945 were down to 14 last year.

—R.C.M.



OW WHEN SOMEONE ASKS,
WHAT DO YOU GOT IN THAT THING?"

Priv

might
assets,
money
tarts. S
at Scot
between
the U.S.
The
sortiun
minim
Allianc
collecti
the 4 ce
pay du
bers' in
at Mel
another

This
the doc
the pri

GI

A

Offsi
denc
of th
grow

Sing

resul

Cred

Italia

can

U

are r

sum

asse

indus

coun

less

were

The Business of Blood On The Ice

By Kurt Badenhausen and
Michael K. Ozanian

IN AN EFFORT TO BUILD ITS FAN BASE, THE National Hockey League made a big push in the 1990s to expand beyond its traditional roots in Canada and the northern U.S. to cities in the deep South. Although existing owners divvied up \$570 million in expansion fees, the game plan failed. As the league grew from 21 teams to 30, heightened demand for players pushed up costs while TV ratings were embarrassingly low. Result: The league lost \$1 billion-plus during the past decade and incurred two vicious labor disputes, the latest resulting in the cancellation of the entire 2004-05 season by the owners. The players, many of whom play abroad for peanuts during the lockout, surrendered, and this season began with a payroll cap of \$39 million per team this year that is linked to revenue. In May ESPN refused its option to broadcast games (worth \$60 million to the league) because of low ratings; the NHL subsequently signed a \$135 million, two-year deal with Comcast's OLN channel (formerly Outdoor Life Network) that also gives the cable company the right to stream live games over the Internet. The salary cap will help mend the league's balance sheet. But it still remains to be seen whether the teams in Atlanta, North Carolina and Nashville have enough fans to survive.



\$70 MILL



HOUSETRAP

In February 2005 Henry and Susan Samueli, who operate the Arrowhead Pond arena, bought the hemorrhaging Mighty Ducks (their tenants) from Walt Disney for \$70 million.

PHOTOS BY ROB KELLY FOR FORTUNE
ILLUSTRATIONS BY SLIM FILMS FOR FORTUNE

● AMOUNT PAID FOR FRANCHISE



HER EN

GRAB LIFE BY THE HORNS



DODGE MAGNUM R/T, OPEN IT UP FROM EITHER END. Up front, a best-in-class* 340-horsepower 5.7-liter HEMI® for tire-smoking performance with Multi-Displacement System (MDS) delivering up to 20 percent better fuel economy.† And in back, up to 71.6 cubic feet of cargo space for maximum versatility. Now when you hear, "What do you got in that thing?" you can show them in more ways than one. Visit us at dodge.com or call **800-4ADODGE**.

*Based on Ward's 2005 Middle Cross/Utility vehicle segmentation. Properly secure all cargo. †17 city, 25 hwy EPA est. mpg for 5.7 L HEMI V8, depending on driving habits. For more information about Chrysler Financial, ask your local dealer.

★★★★★
FIVE-STAR

HIGHEST GOVERNMENT
FRONTAL CRASH TEST RATING



THE 2006 DODGE MAGNUM. STARTING AT \$23,105.

VELOCITY

- **AVAILABLE 5.7L HEMI® V8 ENGINE**
Best-in-class* 340 horsepower
Best-in-class* 390 lb-ft of torque
- **3.5L HIGH OUTPUT V6 ENGINE ON SXT**
- **2.7L V6 ENGINE ON SE**
- **MULTI-DISPLACEMENT SYSTEM (V8)**
Seamlessly switches between four- and eight-cylinder mode for improved fuel economy†
- **AVAILABLE ALL-WHEEL DRIVE (SXT, R/T)**
- **AVAILABLE 5-SPEED AUTOSTICK® TRANSMISSION**
- **FOUR-WHEEL INDEPENDENT SUSPENSION FOR WORLD-CLASS HANDLING**
- **AVAILABLE ELECTRONIC STABILITY PROGRAM‡ WITH BRAKE ASSIST**
- **AVAILABLE ALL-SPEED TRACTION CONTROL WITH FOUR-WHEEL DISC ANTILOCK BRAKE SYSTEM**
- **STANDARD 18-INCH ULTRA-BRITE MACHINED WHEELS (R/T)**
17-inch wheels (SE, SXT)

VERSATILITY

- **SEATING FOR UP TO FIVE**
- **60/40 SPLIT-FOLD REAR SEATS**
Provides up to 71.6 cu ft of cargo volume
- **UP-AND-AWAY REAR LIFTGATE**
- **REMOVABLE/REVERSIBLE TRI-FOLD CARGO FLOOR**
Bi-level with deep side cargo wells
- **OPTIONAL FRONT AND REAR SIDE-CURTAIN AIR BAGS§**
- **OPTIONAL SIRIUS SATELLITE RADIO AND BOSTON ACOUSTICS® SOUND SYSTEM**
Six speakers, 276-watt digital amplifier
- **AVAILABLE IN-DASH DVD-BASED GPS NAVIGATION SYSTEM**
- **AVAILABLE UCONNECT™ BLUETOOTH® VOICE-ACTIVATED, HANDS-FREE COMMUNICATION SYSTEM**
- **AVAILABLE POWER ADJUSTABLE PEDALS**
- **AVAILABLE INFRARED DUAL ZONE AUTOMATIC TEMPERATURE CONTROL**

GRAB LIFE BY THE HORNS



DODGE

★★★★★
FIVE-STAR

HIGHEST GOVERNMENT
FRONTAL CRASH TEST RATING



*Based on Ward's 2005 Middle Cross/Utility Vehicle Segmentation. †17 city, 25 hwy EPA est. mpg for 5.7L HEMI V8, depending on driving habits. ‡No system, no matter how sophisticated, can repeal the laws of physics or overcome careless driving actions. Performance is limited by available traction, which snow, ice and other conditions can affect. When ESP warning lamp in the speedometer flashes, the driver needs to use less throttle and adapt speed and driving behavior to prevailing road conditions. Always drive carefully, consistent with conditions. Please always wear your seat belt. §Always use seat belts. Remember, a backseat is the safest place for children 12 and under. "SIRIUS" and the SIRIUS dog logo are registered trademarks of SIRIUS Satellite Radio Inc. Monthly subscriptions may apply. Programming is subject to change. Not available in Hawaii and Alaska. For full Terms and Conditions, visit sirius.com For more information about Chrysler Financial, ask your local dealer. Dodge and HEMI are registered trademarks of DaimlerChrysler Corporation.



Gandhi, Industrialized

China, you say? India's textile business has also thrived since the removal of import quotas.

By Robyn Meredith

SANTA'S ELVES ARE HARD AT work in Bangalore. They get \$2.50 a day to start. On a recent sunny day in this southern Indian city, 175 employees of Synergy Lifestyles Private Ltd.—Sikhs with turbans leaning over sewing machines alongside Hindus—were busy sewing white snowmen onto red potholders destined for Crate & Barrel's retail outlets in the U.S. Others were stitching white reindeer onto red place mats.

Business has never been better at the factory, one of two owned by Synergy, a privately held Mumbai firm that did \$18 million in revenue in its March 2005 fiscal year. It is much the same at textile and clothing plants across India, ever since global quotas were lifted in January. The industry accounts for 30% of India's exports. China does a much larger dollar volume in textiles, but still the sector accounts for only

ANAY MANN/PHOTOINK; CONTACT PRESS IMAGES FOR FORBES



ting pretty: By next year Synergy Lifestyles' chief executive, Sunita Namjoshi, aims to have doubled her workforce since early 2004.

18% of China's exports.

India, like China, chafed for decades under quotas that limited how much it could send to the U.S. and Europe. In January those quotas were lifted and exports from both countries shot up. In the first five months of this year China's exports of cloth and apparel to the U.S. jumped 54% to \$9.9 billion. India's volume was up 29% to \$2.3 billion, according to the International Labour Organization, a UN adjunct.

"There has been an increase predominantly because quotas were removed," says Sunita Namjoshi, chief executive of Synergy. "We're a very textile-based country—we have a very long heritage."

Indeed. Think of the famous photograph of Mahatma Gandhi sitting in front of his wooden spinning wheel, a symbol of independence from Britain's colonial rule. India has come a long way since Gandhi advocated boycotts of machine-made European clothing and promoted the virtues of small-scale industry, as opposed to big factories, as a means of national self-reliance. For decades Indian regulations favored companies with fewer than 100 workers, and a fragmented, inefficient industry was the result.

India is evolving. Last year the Indian government finally cut duties on imported textile machinery. In a further effort to boost the industry's competitiveness, the government this summer announced plans to spend \$150 million creating (with private partners) 25 textile parks by 2008—enough for 500,000 new jobs. Each park will cluster small producers in one industrial unit, with some shared buildings like testing labs,



"A very long heritage": Cushions get a quality check at Karur on their way to U.S. retailers.

raw materials depots and warehouses.

Investment has been pouring in. Companies have contributed more than \$17 billion in recent years to the Indian cloth and clothing industry, according to Texprocil, the export-promotion body of the Indian cotton textile industry. "The period beyond the quotas has given a further fillip to investment in the industry, with growing emphasis on improving productivity, upgrading technology and expanding capacities," says Siddhartha Rajogopal, executive director of Texprocil. "Recent government policies have also helped the industry move toward consolidation of operations, vertical integration and efficient supply-source management."

Yet most in the sector are no bigger than Synergy. Namjoshi plans to have tripled her workforce to 625 from the be-

ginning of last year to 2006. In Karur, 300 miles south of Bangalore, she built a checking-and-packing operation to handle increased business subcontracted to other Indian companies, where orders are shipped out to customers like Pier 1 Imports, Target, ABC Carpet & Home and Laura Ashley, in addition to Crate & Barrel.

India and China compete fiercely for orders from the U.S. and Europe, but Indian companies are finding they often get the nod for handwoven, embroidered or otherwise embellished fabrics clothing and housewares, while China is chosen for larger orders of mass-produced items. As China wins the bulk orders, its market share is likely to increase faster than India's.

The quota expiration has been widely beneficial to Asia. Pakistan's textile and clothing exports, on the back of many of the same natural-cotton-fabric advantages that India has, reached a record during the first four months of the year. Southeast Asian exporters, which were thought to be endangered, have seen mixed results. (Vietnam isn't yet a member of the World Trade Organization and is still subject to quotas.)

"Textile and apparel producers and workers in Europe, the Americas and Africa appear to be losing out," the ILC said in a recent report. For consumers and the companies that sell to them, it's a different story.

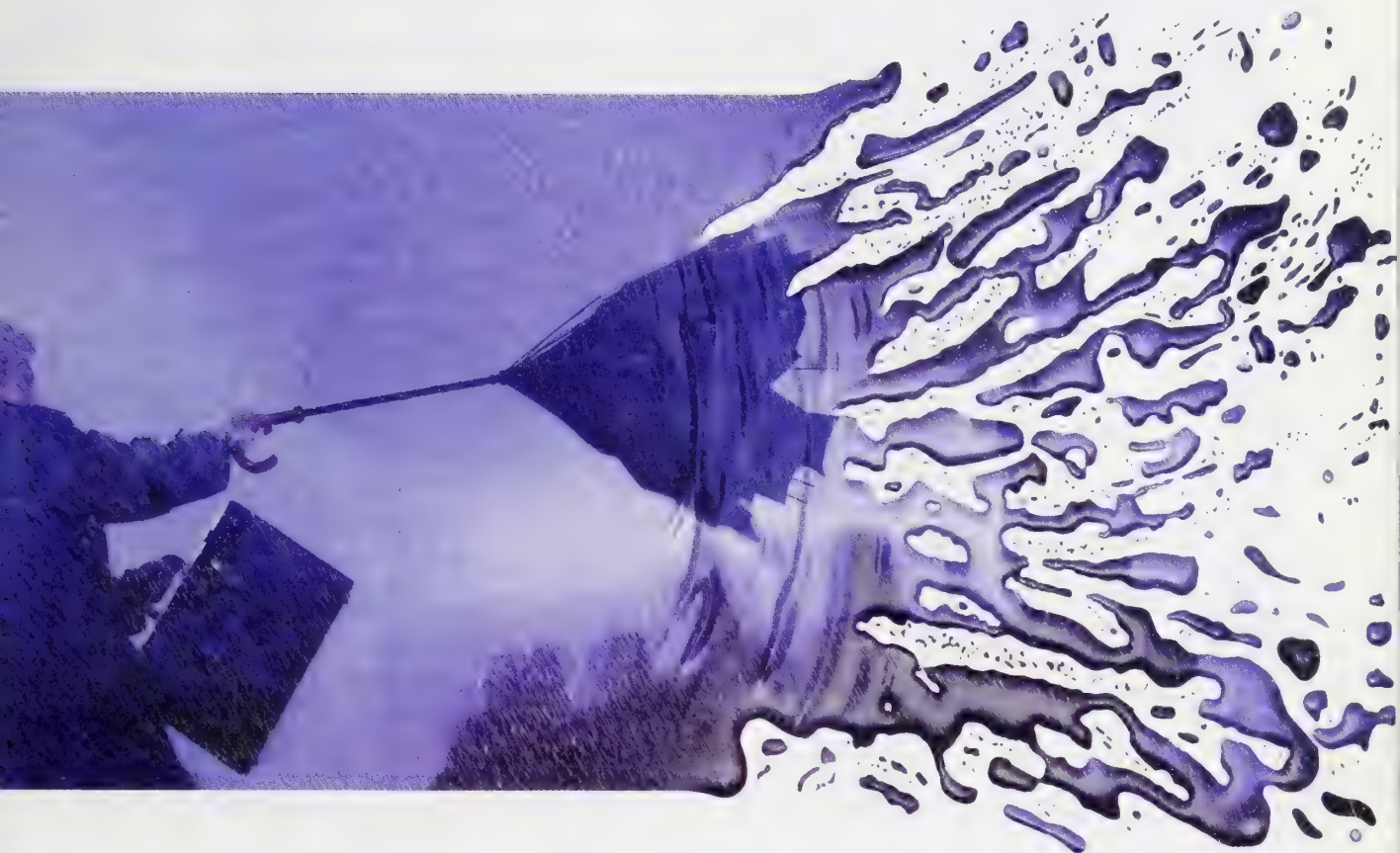
Sari, Only Swatches for Investors

Synergy doesn't trade, but these other small Indian manufacturers are listed on the Bombay Stock Exchange. No big pure plays on the rising export trade are available.

COMPANY	RECENT PRICE	52-WEEK HIGH	SALES (\$MIL)	P/E
ALOK INDUSTRIES	\$1.57	\$1.97	\$273	10
ARVIND MILLS	2.35	3.29	445	20
RAYMOND LTD	8.28	9.78	322	25
WELSPUN INDIA	2.47	3.55	106	19

Figures in U.S. dollars. Prices as of Nov. 1. Sources: Worldscope via FactSet Research Systems; Bloomberg.

**The true test of a Trusted Ally is how well
they'll help you weather the storm.**



It's Chubb.

Or it's Chance.

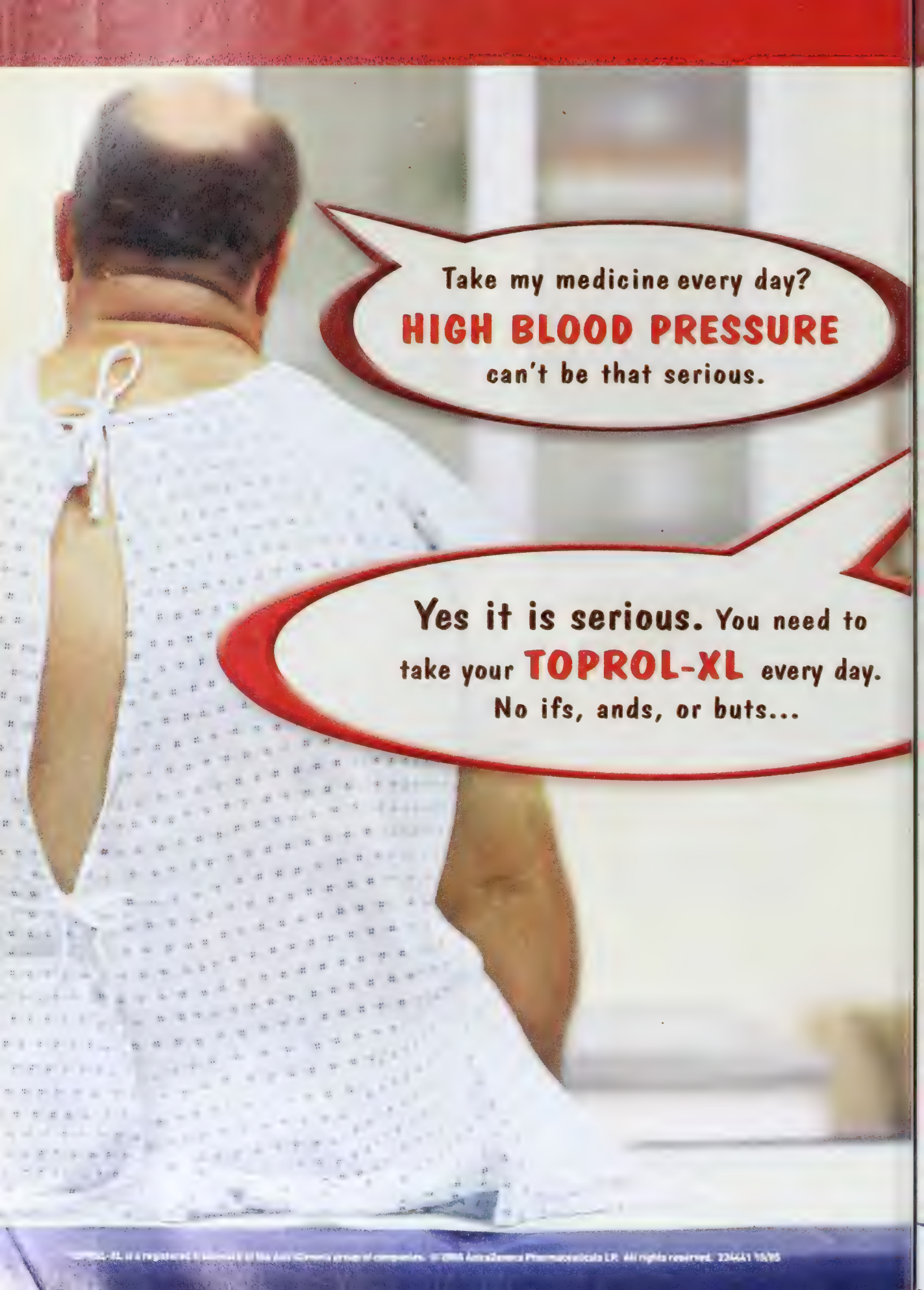
For the company that understands that top management is an invaluable company asset, Chubb is the obvious choice. We offer a broad range of comprehensive and cutting-edge executive protection products, including Directors and Officers Liability, Professional Liability, Employment Practices Liability, as well as protection against employee crime. Knowing you've got an insurer with world-class financial strength is important, but knowing that Chubb's claims-handling reputation is the best in the business is even more reassuring. You have a valuable ally when you have Chubb at your side, and that's something to remember when the business forecast turns stormy.

EXECUTIVE PROTECTION • FINANCIAL INSTITUTIONS • HEALTH CARE • PROFESSIONAL

For more information, contact your local agent or broker or visit www.chubb.com/ads.



Chubb refers to the insurers of the Chubb Group of Insurance Companies. Actual coverage is subject to the language of the policies as issued. Chubb, Box 1615, Warren, NJ 07061-1615



Take my medicine every day?
HIGH BLOOD PRESSURE
can't be that serious.

Yes it is serious. You need to
take your **TOPROL-XL** every day.
No ifs, ands, or buts...

high blood pressure matters more than you know.

It's always with you, even on those days you seem to feel okay. And high blood pressure can make your heart work harder than it should. That's why it's such a big deal—just ask your doctor.

You need to exercise, eat healthy, and take your TOPROL-XL—not just most days, but every day.

As long as you keep taking it, TOPROL-XL works to help you manage your blood pressure—throughout the day. And yes, that means every day.

Important information you should know about TOPROL-XL (by prescription only)

TOPROL-XL is used to treat high blood pressure. It's good to know the medicine you're taking, so talk to your doctor about high blood pressure and TOPROL-XL.

TOPROL-XL is not right for everyone, especially people who have the following health conditions.

- Extreme slowing of the heart rate (severe bradycardia)
- Sudden and severe drop in the blood pressure and blood flow through the body because the heart is not pumping normally (cardiogenic shock)
- Uncontrolled heart failure
- Slowdown of the heart's electrical signal causing a slower heart rate (specifically, second- or third-degree heart block)
- Damage to the heart's natural pacemaker that affects the heart's rhythm [unless a pacemaker device is in the body] (sick sinus syndrome)
- Any allergies to TOPROL-XL or its ingredients

Please see adjacent page for a brief summary of full Prescribing Information.

It is important to take your medications every day as directed by your doctor.

Patients should not stop taking TOPROL-XL suddenly because of the possibility of serious side effects, such as chest pain or a heart attack. If your doctor decides you should stop taking TOPROL-XL, your doctor or health care provider may instruct you to slowly reduce your dose over a period of time before stopping it completely.

In some patients, TOPROL-XL should be used with caution: Those with asthma or asthma-like lung disease; taking certain calcium channel blockers; have diabetes; overactive thyroid disease; hardening or constriction of the arteries in the arms or legs; or those planning to have surgery.

Until you know how you will react to TOPROL-XL, avoid activities that require alertness.

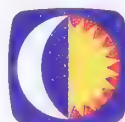
The most common side effects reported by patients in clinical trials were tiredness, dizziness, depression, diarrhea, itching or rash, shortness of breath, and slow heart rate. If you experience any of these or other side effects, contact your doctor.

Need answers? Contact AstraZeneca

Visit TOPROL-XL.com/ad or call 877-564-6442

- Find more information on TOPROL-XL
- Join Heart Horizons, a free support program with helpful tips, special offers, and information for people who take TOPROL-XL
- Learn how we may be able to help if you do not have prescription coverage and cannot afford your medicines

TAKE IT. SERIOUSLY.



TOPROL-XL[®]
(metoprolol succinate)
extended-release tablets

AstraZeneca



Please read this summary carefully and then ask your doctor about TOPROL-XL. Do not stop treatment without first talking with your doctor. No advertisement can provide all the information needed to determine if a drug is right for you. This advertisement does not take the place of careful discussions with your doctor. Only your doctor has the training to weigh the risks and benefits of a prescription drug.



BRIEF SUMMARY: For full Prescribing Information, see package insert. **INDICATIONS AND USAGE**

Hypertension: TOPROL-XL is indicated for the treatment of hypertension. It may be used alone or in combination with other antihypertensive agents. **Angina Pectoris:** TOPROL-XL is indicated in the long-term treatment of angina pectoris. **Heart Failure:** TOPROL-XL is indicated for the treatment of stable, symptomatic (NYHA Class II or III) heart failure of ischemic, hypertensive, or cardiomyopathic origin. It was studied in patients already receiving ACE inhibitors, diuretics, and, in the majority of cases, digitalis. In this population, TOPROL-XL decreased the rate of mortality plus hospitalization, largely through a reduction in cardiovascular mortality and hospitalizations for heart failure.

CONTRAINDICATIONS

TOPROL-XL is contraindicated in severe bradycardia, heart block greater than first degree, cardiogenic shock, decompensated cardiac failure, sick sinus syndrome (unless a permanent pacemaker is in place) (see WARNINGS) and in patients who are hypersensitive to any component of this product.

WARNINGS

Ischemic Heart Disease: Following abrupt cessation of therapy with certain beta-blocking agents, exacerbations of angina pectoris and, in some cases, myocardial infarction have occurred. When discontinuing chronically administered TOPROL-XL, particularly in patients with ischemic heart disease, the dosage should be gradually reduced over a period of 1-2 weeks and the patient should be carefully monitored. If angina markedly worsens or acute coronary insufficiency develops, TOPROL-XL administration should be reinstated promptly, at least temporarily, and other measures appropriate for the management of unstable angina should be taken. Patients should be warned against interruption or discontinuation of therapy without the physician's advice. Because coronary artery disease is common and may be unrecognized, it may be prudent not to discontinue TOPROL-XL therapy abruptly even in patients treated only for hypertension.

Bronchospastic Diseases: PATIENTS WITH BRONCHOSPASTIC DISEASES SHOULD, IN GENERAL, NOT RECEIVE BETA-BLOCKERS. Because of its relative beta₁-selectivity, however, TOPROL-XL may be used with caution in patients with bronchospastic disease who do not respond to, or cannot tolerate, other antihypertensive treatment. Since beta₁-selectivity is not absolute, a beta₂-stimulating agent should be administered concomitantly, and the lowest possible dose of TOPROL-XL should be used (see DOSAGE AND ADMINISTRATION). **Major Surgery:** The necessity or desirability of withdrawing beta-blocking therapy prior to major surgery is controversial; the impaired ability of the heart to respond to reflex adrenergic stimuli may augment the risks of general anesthesia and surgical procedures. TOPROL-XL like other beta-blockers, is a competitive inhibitor of beta-receptor agonists, and its effects can be reversed by administration of such agents, e.g., dobutamine or isoproterenol. However, such patients may be subject to protracted severe hypotension. Difficulty in restarting and maintaining the heart beat has also been reported with beta-blockers. **Diabetes and Hypoglycemia:** TOPROL-XL should be used with caution in diabetic patients if a beta-blocking agent is required. Beta-blockers may mask tachycardia occurring with hypoglycemia, but other manifestations such as dizziness and sweating may not be significantly affected. **Thyrotoxicosis:** Beta-adrenergic blockade may mask certain clinical signs (e.g., tachycardia) of hyperthyroidism. Patients suspected of developing thyrotoxicosis should be managed carefully to avoid abrupt withdrawal of beta-blockade, which might precipitate a thyroid storm. **Peripheral Vascular Disease:** Beta-blockers can precipitate or aggravate symptoms of arterial insufficiency in patients with peripheral vascular disease. Caution should be exercised in such individuals. **Calcium Channel Blockers:** Because of significant inotropic and chronotropic effects in patients treated with beta-blockers and calcium channel blockers of the verapamil and diltiazem type, caution should be exercised in patients treated with these agents concomitantly.

PRECAUTIONS

General: TOPROL-XL should be used with caution in patients with impaired hepatic function. In patients with pheochromocytoma, an alpha-blocking agent should be initiated prior to the use of any beta-blocking agent. Worsening cardiac failure may occur during up-titration of TOPROL-XL. If such symptoms occur, diuretics should be increased and the dose of TOPROL-XL should not be advanced until clinical stability is restored (see DOSAGE AND ADMINISTRATION). It may be necessary to lower the dose of TOPROL-XL or temporarily discontinue it. Such episodes do not preclude subsequent successful titration of TOPROL-XL. **Information for Patients:** Patients should be advised to take TOPROL-XL regularly and continuously, as directed, preferably with or immediately following meals. If a dose should be missed, the patient should take only the next scheduled dose (without doubling it). Patients should not interrupt or discontinue TOPROL-XL without consulting the physician. Patients should be advised (1) to avoid operating automobiles and machinery or engaging in other tasks requiring alertness until the patient's response to therapy with TOPROL-XL has been determined; (2) to contact the physician if any difficulty in breathing occurs; (3) to inform the physician or dentist before any type of surgery that he or she is taking TOPROL-XL. Heart failure patients should be advised to consult their physician if they experience signs or symptoms of worsening heart failure such as weight gain or increasing shortness of breath. **Laboratory Tests:** Clinical laboratory findings may include elevated levels of serum transaminase, alkaline phosphatase, and lactate dehydrogenase. **Drug Interactions:** Catecholamine-depleting drugs (e.g., reserpine, monoamine oxidase (MAO) inhibitors) may have an additive effect when given with beta-blocking agents. Patients treated with TOPROL-XL plus a catecholamine depleter should therefore be closely observed for evidence of hypotension or marked bradycardia, which may produce vertigo, syncope, or postural hypotension. Drugs that inhibit CYP2D6 such as quinidine, fluoxetine, paroxetine, and propafenone are likely to increase metoprolol concentration. In healthy subjects with CYP2D6 extensive metabolizer phenotype, coadministration of quinidine 100 mg and immediate release metoprolol 200 mg tripled the concentration of 5-metoprolol and doubled the metoprolol elimination half-life. In four patients with cardiovascular disease, coadministration of propafenone 150 mg t.i.d. with immediate release metoprolol 50 mg t.i.d. resulted in two- to five-fold increases in the steady-state concentration of metoprolol. These increases in plasma concentration would decrease the cardioselectivity of metoprolol. Beta-blockers may exacerbate the rebound hypertension which can follow the withdrawal of clonidine. If the two drugs are

coadministered, the beta blocker should be withdrawn several days before the gradual withdrawal of clonidine. If replacing clonidine by beta-blocker therapy, the introduction of beta-blockers should be delayed for several days after clonidine administration has stopped. **Carcinogenesis, Mutagenesis, Impairment of Fertility:** Long-term studies in animals have been conducted to evaluate the carcinogenic potential of metoprolol tartrate. In 2-year studies in rats at three oral dosage levels of up to 800 mg/kg/day (41 times, on a mg/m² basis, the daily dose of 200 mg for a 60-kg patient), there was no increase in the development of spontaneously occurring benign or malignant neoplasms of any type. The only histologic changes that appeared to be drug related were an increased incidence of generally mild focal accumulation of foamy macrophages in pulmonary alveoli and a slight increase in biliary hyperplasia. In a 21-month study in Swiss albino mice at three oral dosage levels of up to 750 mg/kg/day (18 times, on a mg/m² basis, the daily dose of 200 mg for a 60-kg patient), benign lung tumors (small adenomas) occurred more frequently in female mice receiving the highest dose than in untreated control animals. There was no increase in malignant or total (benign plus malignant) lung tumors, nor in the overall incidence of tumors or malignant tumors. This 21-month study was repeated in CD-1 mice, and no statistically or biologically significant differences were observed between treated and control mice of either sex for any type of tumor. All genotoxicity tests performed on metoprolol tartrate (a dominant lethal study in mice, chromosome studies in somatic cells, a *Salmonella/mammalian-microsome* mutagenicity test, and a nucleus anomaly test in somatic interphase nuclei) and metoprolol succinate (a *Salmonella/mammalian-microsome* mutagenicity test) were negative. No evidence of impaired fertility due to metoprolol tartrate was observed in a study performed in rats at doses up to 22 times, on a mg/m² basis, the daily dose of 200 mg in a 60-kg patient. **Pregnancy Category C:** Metoprolol tartrate has been shown to increase post-implantation loss and decrease neonatal survival in rats at doses up to 22 times, on a mg/m² basis, the daily dose of 200 mg in a 60-kg patient. Distribution studies in mice confirm exposure of the fetus when metoprolol tartrate is administered to the pregnant animal. These studies have revealed no evidence of impaired fertility or teratogenicity. There are no adequate and well-controlled studies in pregnant women. Because animal reproduction studies are not always predictive of human response, this drug should be used during pregnancy only if clearly needed. **Nursing Mothers:** Metoprolol is excreted in breast milk in very small quantities. An infant consuming 1 liter of breast milk daily would receive a dose of less than 1 mg of the drug. Caution should be exercised when TOPROL-XL is administered to a nursing woman. **Pediatric Use:** Safety and effectiveness in pediatric patients have not been established. **Geriatric Use:** Clinical studies of TOPROL-XL in hypertension did not include sufficient numbers of subjects aged 65 and over to determine whether they respond differently from younger subjects. Other reported clinical experience in hypertensive patients has not identified differences in responses between elderly and younger patients. Of the 1,990 patients with heart failure randomized to TOPROL-XL in the MERIT-HF trial, 50% (990) were 65 years of age and older and 12% (238) were 75 years of age and older. There were no notable differences in efficacy or the rate of adverse events between older and younger patients. In general, dose selection for an elderly patient should be cautious, usually starting at the low end of the dosing range, reflecting greater frequency of decreased hepatic, renal, or cardiac function, and of concomitant disease or other drug therapy. **Risk of Anaphylactic Reactions:** While taking beta-blockers, patients with a history of severe anaphylactic reactions to a variety of allergens may be more reactive to repeated challenge, either accidental, diagnostic, or therapeutic. Such patients may be unresponsive to the usual doses of epinephrine used to treat allergic reaction.

ADVERSE REACTIONS

Hypertension and Angina: Most adverse effects have been mild and transient. The following adverse reactions have been reported for immediate release metoprolol tartrate. **Central Nervous System:** Tiredness and dizziness have occurred in about 10 of 100 patients. Depression has been reported in about 5 of 100 patients. Mental confusion and short-term memory loss have been reported. Headache, somnolence, nightmares, and insomnia have also been reported. **Cardiovascular:** Shortness of breath and bradycardia have occurred in approximately 3 of 100 patients. Cold extremities; arterial insufficiency, usually of the Raynaud type; palpitations; congestive heart failure; peripheral edema; syncope; chest pain; and hypotension have been reported in about 1 of 100 patients (see CONTRAINDICATIONS, WARNINGS AND PRECAUTIONS). **Respiratory:** Wheezing (bronchospasm) and dyspnea have been reported in about 1 of 100 patients (see WARNINGS). **Gastrointestinal:** Diarrhea has occurred in about 5 of 100 patients. Nausea, dry mouth, gastric pain, constipation, flatulence, digestive tract disorders, and heartburn have been reported in about 1 of 100 patients. **Hypersensitive Reactions:** Pruritus or rash have occurred in about 5 of 100 patients. Worsening of psoriasis has also been reported. **Miscellaneous:** Peyronie's disease has been reported in fewer than 1 of 100,000 patients. Musculoskeletal pain, blurred vision, decreased libido and tinnitus have also been reported. There have been rare reports of reversible alopecia, agranulocytosis, and dry eyes. Discontinuation of the drug should be considered if any such reaction is not otherwise explicable. The oculomucocutaneous syndrome associated with the beta-blocker practolol has not been reported with metoprolol. **Potential Adverse Reactions:** In addition, there are a variety of adverse reactions not listed above, which have been reported with other beta-adrenergic blocking agents and should be considered potential adverse reactions to TOPROL-XL. **Central Nervous System:** Reversible mental depression progressing to cataplexy; an acute reversible syndrome characterized by disorientation for time and place, short-term memory loss, emotional lability, slightly clouded sensorium, and decreased performance on neuropsychometrics. **Cardiovascular:** Intensification of AV block (see CONTRAINDICATIONS). **Hematologic:** Agranulocytosis, nonthrombocytopenic purpura, thrombocytopenic purpura. **Hypersensitive Reactions:** Fever combined with aching and sore throat, laryngospasm, and respiratory distress. **Heart Failure:** In the MERIT-HF study, serious adverse events and adverse events leading to discontinuation of study medication were systematically collected. In the MERIT-HF study comparing TOPROL-XL in daily doses up to 200 mg (mean dose 159 mg once-daily) (n=1990) to placebo (n=2001), 10.3% of TOPROL-XL patients discontinued for adverse events vs 12.2% of placebo patients. The table below lists adverse events in the MERIT-HF study that occurred at an incidence of equal to or greater than 1% in the TOPROL-XL group and greater than placebo by more than 0.5%, regardless of the assessment of causality.

Adverse Events Occurring in the MERIT-HF Study at an Incidence ≥1% in the TOPROL-XL Group and Greater Than Placebo by More Than 0.5%

	TOPROL-XL N=1990 % of patients	Placebo N=2001 % of patients
Dizziness/vertigo	1.8	1.0
Bradycardia	1.5	0.4
Accident and/or injury	1.4	0.8

Other adverse events with an incidence of 1% on TOPROL-XL and as compared to placebo (with n=1990) included myocardial infarction, pneumonia, cerebrovascular disorder, chest pain, dyspnea/dyspnea aggravated, syncope, coronary artery disease, ventricular tachycardia/arrhythmia aggravated, hypotension, diabetes mellitus aggravated, abdominal pain, and fatigue. **Post-Marketing Experience:** The following adverse reactions have been reported with TOPROL-XL in worldwide post-marketing use, regardless of causality: **Cardiovascular:** 2nd degree heart block. **Gastrointestinal:** hepatitis, vomiting. **Hematologic:** thrombocytopenia, musculoskeletal arthralgia. **Nervous System/Psychiatric:** anxiety/nervous hallucinations, paresthesia. **Reproductive:** male impotence. **Skin:** increased skin photosensitivity, urticaria. **Special Sense Organs:** taste disturbances.

OVERDOSAGE

Acute Toxicity: There have been a few reports of overdose with TOPROL-XL; no specific overdose information was obtained with this drug, with the exception of animal toxicology data. However, since TOPROL-XL (metoprolol succinate) contains the same active moiety metoprolol, as conventional metoprolol tablets (metoprolol tartrate salt), the recommendations on overdose for metoprolol conventional tablets are applicable to TOPROL-XL. **Signs and Symptoms:** Overdose with TOPROL-XL may lead to severe hypotension, sinus bradycardia, atrioventricular heart failure, cardiogenic shock, cardiac arrest, bronchospasm, impaired consciousness/coma, nausea, vomiting, and cyanosis. **Treatment:** In patients with acute or recent myocardial infarction or congestive heart failure, more hemodynamically unstable than other patients and should be treated accordingly. When possible the patient should be treated under intensive care conditions. On the basis of the pharmacologic actions of metoprolol, the following general measures should be employed. **Elimination of the Drug:** Gastric lavage should be performed. **Bradycardia:** Atropine should be administered. If there is no response to blockade, isoproterenol should be administered cautiously. **Hypotension:** A pressor should be administered, e.g., levaterenol or dopamine. **Bronchospasm:** A beta₂-stimulating agent and/or a theophylline derivative should be administered. **Cardiac Failure:** A digitalis glycoside and diuretics should be administered. In resulting from inadequate cardiac contractility, administration of dobutamine, isoproterenol, or glucagon may be considered.

DOSAGE AND ADMINISTRATION

TOPROL-XL is an extended release tablet intended for once daily administration in the treatment of hypertension and angina, when switching from immediate release metoprolol to TOPROL-XL, the same total daily dose of TOPROL-XL should be used. Dosages of TOPROL-XL should be individualized and titration may be needed in patients. TOPROL-XL tablets are scored and can be divided; however, the whole tablet should be swallowed whole and not chewed or crushed. **Hypertension:** The usual initial dosage is 25 to 100 mg daily in a single dose, whether used alone or with a diuretic. The dosage may be increased at weekly (or longer) intervals until optimal blood pressure reduction is achieved. In general, the maximum effect of any dosage level will be apparent after 1 week of therapy. Dosages above 400 mg per day have not been studied. **Angina Pectoris:** The dosage of TOPROL-XL should be individualized. The usual initial dosage is 100 mg daily, given in a single dose. The dosage may be gradually increased at weekly intervals until optimal clinical result has been obtained or there is a pronounced slowing of the heart rate. Dosages above 400 mg per day have not been studied. If treatment is to be discontinued, the dose should be reduced gradually over a period of 1-2 weeks (see WARNINGS). **Heart Failure:** Dosage must be individualized and closely monitored during up-titration. Prior to initiation of TOPROL-XL, the dosing of diuretics, ACE inhibitors, and digitalis should be stabilized. The recommended starting dose of TOPROL-XL is 25 mg once daily for two weeks in patients with NYHA class II heart failure and 12.5 mg daily in patients with more severe heart failure. The dose should then be doubled every two weeks to the highest dosage level tolerated by the patient or up to 200 mg daily. If transient worsening of heart failure occurs, it may be treated with increased doses of diuretics, and it may also be necessary to lower the dose of TOPROL-XL or temporarily discontinue it. The dose of TOPROL-XL should not be increased until symptoms of worsening heart failure have been stabilized. Titration with TOPROL-XL should not preclude later attempts to introduce TOPROL-XL heart failure patients experience symptomatic bradycardia, the dose of TOPROL-XL should be reduced.

HOW SUPPLIED

Tablets containing metoprolol succinate equivalent to the indicated weight of metoprolol tartrate. USP are white, biconvex, film-coated, and scored.

Tablet	Shape	Engraving	Bottle of 100 NDC 0186-	Unit Dosage Packages of 100 NDC 0186-
25 mg*	Oval	A B	1088-05	1088-38
50 mg	Round	A m	1090-05	1090-38
100 mg	Round	A ms	1092-05	1092-38
200 mg	Oval	A my	1094-05	N/A

*The 25-mg tablet is scored on both sides

Store at 25°C (77°F). Excursions permitted to 15-30°C (59-86°F). (See USP Control Room Temperature.)

NOTE: This summary provides important information about TOPROL-XL. For full information, please ask your doctor or health care professional about the Prescribing Information and discuss it with them.

TOPROL-XL is a registered trademark of the AstraZeneca group of companies ©AstraZeneca 2002, 2004, 2005

Manufactured for AstraZeneca LP
Wilmington, DE 19850

By AstraZeneca AB
S-151 85 Södertälje, Sweden

Made in Sweden

30015-01

Rev 02/05 234770

AstraZeneca

The Corporate Case for HEALTHY LIVING

By Duncan Publishing

THE CORPORATE CASE FOR HEALTHY LIVING HAS NEVER BEEN CLEARER.



While corporate America is exploring every possible avenue to improve the productivity of its most valuable asset — its workforce — the health of that workforce is declining. Though it is true that early detection and more precise therapies for cancer and other illnesses have increased survival rates for the general population, the sedentary lifestyle of many corporate workers has brought an alarming increase in the incidence of debilitating illnesses like diabetes, which can develop without any obvious signs or symptoms and can lead to serious complications like heart disease and stroke, blindness and kidney disease. Couple that with the aging of the American population, rising rates of obesity and the higher incidence of disease among minority groups — and now among younger populations — and the inescapable result is that forward-thinking corporations are increasingly obligated to take a more proactive role in promoting a healthy lifestyle for their workers.



Beyond the human toll and productivity losses, the cost of health care coverage continues to rise each year at a double-digit percentage level, cutting deeper and deeper into the corporate bottom line.

Taking an aggressive approach to improving the health of America's workforce is natural for corporate America, where employees typically spend more than one-third of their waking hours. Simply making health care benefits more understandable and accessible to employees, as well as providing attractive on-site exercise facilities, can make a huge difference. So can compensating employees who participate in free health screenings and weight control, antismoking and walking-for-health programs. Prevention is worth the investment. And now, as health care costs continue to outpace the cost of living, well-administered prevention campaigns are producing a measurable return on investment.

PFIZER'S HEALTHY DIRECTIONS

In June, Pfizer Inc launched Healthy Directions, a comprehensive, integrated health improvement program for Pfizer employees and their families designed to help them become more involved in their own health care decision making and achieve health goals.

An important entry point for Healthy Directions is Pfizer's new confidential health information resource Web site, which Pfizer recently created with online health information leader WebMD. This is just one component of a spectrum of tools and services to encourage the appropriate use of health care services. Employees and their dependents are urged to complete a health risk assessment to get them thinking about their health status and inform them of risk factors that could compromise their health in the future. As an incentive for participating in the Healthy Directions program, participants receive a discount on their medical premiums and a \$100 gift card. Since June, more than 83% of all Pfizer employees in the United States have participated — along with more than 42% of their dependents — for a total of around 35,600 employees and 12,800 dependents.

When the program launched in June, the company also offered free health screenings, enabling participants to plug the results into the Web-based questionnaire. Almost 40% of the entire domestic Pfizer workforce took health screenings for cholesterol, glucose, blood pressure and body mass. The screenings were performed on-site, and in some cases were available around the clock.

Once the questionnaire was filled in with the screening results, the participants received a summary of their health status. Participants with risk factors — typically smoking, stress, low back pain, high cholesterol or blood pressure levels and weight control problems — were assigned health coaches who would call them individually to help them manage their chronic conditions in a more effective way. The system currently has more than 10,000 people enrolled in the coaching program.

The Best Medicine.



Healthy Choices.

We understand that good health is important to you. Staying active and living a longer life is a goal we all share.

At Pfizer, we believe that good health starts with good choices. That's why our website, www.PfizerforLiving.com, provides information about good nutrition and exercise to help you make healthy choices that work for your lifestyle.

And in our labs, Pfizer's 12,000 researchers are doing their part to help unlock the secrets of healthy living and to discover and develop breakthrough medicines for diseases like Alzheimer's, heart disease and diabetes.

So if you need medicine, Pfizer will be there to help you and your doctor make the best choice possible.

Good choices and good medicine. That's what Pfizer believes is the best prescription for keeping America healthy.



www.pfizer.com

P
R
E
V
E
N
T
I
O
N



Healthy Directions also provides a 24-hour nurse line, available seven days a week, which provides Pfizer employees and their dependents with a single phone number where they can get immediate nursing advice, along with help navigating Pfizer's health system.

"Healthy Directions is designed to provide the services and tools that improve health outcomes and ultimately help to bend the cost trend," explains Jennifer Arcure, senior director, Healthy Directions, Pfizer Health Solutions. "We don't expect to spend less on health care, but we want to make sure that the tremendous investment that we are making continues to improve the health of our employees. Healthy Directions is unlike anything previously available at Pfizer. We really want to set an example of employer-driven health care, and set a new standard for what employers can do and why these programs are important to employees and their families."

AETNA'S HEALTHY LIFESTYLES

Healthy Lifestyles is the name Aetna Inc. has given to a new campaign that pays its workers to exercise, join weight-loss programs and take online health risk assessments. In all, an employee registered in Healthy Lifestyles can earn up to \$345 a year in incentives for participating in Aetna's health and fitness workout programs, as well as for making preventative care doctor visits, taking educational courses about health and using the company's Web-based health resources. These funds can then be credited to an employee's health savings account, employer-established fund or pay-check and can assist the employee in managing his or her health care expenses.

"We think there is an important link between health and productivity, and that improving health is a real opportunity for us as a company," explains Jim Gould, Aetna's head of compensation and benefits. "We think employers should be focused on the well-being of employees and help them manage their health and productivity."

At a cost of under \$2 million, the Healthy Lifestyles initiative is designed to eventually pay for itself in increased productivity gains. According to Gould, a 1% rise in productivity in a company the size of Aetna, with 27,000 employees, could yield \$20 million in productivity gains. "We are trying to make health attractive and fun — and get as many people involved as we can," says Gould. "Our goal is not only to improve the health of the employees who may have some more significant health issues, but to encourage the majority, who are basically healthy, to learn about what behaviors can help them maintain their good health and stay fit."

Once the employees take the health risk assessment, they receive an action plan identifying their risk factors. "If they are assessed as overweight, for example, then the online system will let them know about Internet self-education courses that they can take, and other tools and services available to help them embrace a healthier lifestyle, improve their eating habits and get more exercise," explains Gould. "Some of the tools and services that employees will have access to include

We
want
you to
know

Aetna's Wellness Programs

For even better health, add a dash of information.

The health of your employees has a direct effect on the health of your business. So Aetna provides them with the information they need to make smart decisions about their health care and lifestyle choices. Our online resources and wellness programs offer important advice on nutrition and physical fitness, as well as vital recommendations on preventative care. For a healthier, more productive workforce, the key ingredient is information. To get more now, visit us at aetna.com.

We want you to know™



Health
Dental
Pharmacy
Disability
Long-Term Care
Life





a diet manager and a pedometer that they can use to track how far they walk over the course of a day. These features can begin to help employees reach a healthy weight and lifestyle.”

In June, Aetna was honored with a “Gold Award” by the National Business Group on Health for its Healthy Lifestyles campaign.

PREVENTATIVE INTERVENTION AT LILLY

Eli Lilly and Company’s walking program, which started two years ago, encourages participants to log 10,000 steps a day — monitored by pedometers — to improve overall health. Participants are encouraged to conduct “walking meetings” to help achieve their daily goals.

Lilly also pays employees a \$50 benefit credit as part of the Stepwise Evaluation Program, or STEP. Depending on their age and risk factors, employees are invited into the company’s on-site clinics for a medical evaluation — including a blood work-up, a physician or nurse’s consultation and various other medical interventions. “The purpose of these exams is to detect abnormalities or risks that employees may or may not even know they have — such as diabetes, elevated cholesterol, high blood pressure or thyroid disease,” says Dr. Greg Larkin, M.D., Lilly’s director of corporate health services. “This whole program is designed to be a preemptive approach. If you know you are sick, this program won’t help as much. STEP is about preventive maintenance.”

Other than a hospital, Lilly is the only employer in the state of Indiana that has its own on-site mammography unit and well-woman clinic, where employees and/or spouses can be screened for cervical cancer and other gynecological-related diseases. The company offers this service at no cost to participating employees or their spouses.

For more than a decade, Lilly has been offering screening colonoscopies to all health plan members over the age of 40 at no cost and with no co-pay. As one of the first corporate colonoscopy programs in the nation, Lilly now has the world’s largest community-based screening colonoscopy database, which has been the foundation of several seminal articles on the screening and prevention of colon cancer. Since the program began in 1995, the colonoscopy screenings have uncovered more than 4,000 lesions, which were later removed.

Corporate health today is a partnership, comments Dr. Larkin. “Most of the larger corporations realize that by creating a culture that promotes a healthy environment at the worksite, and by designing health benefits that allow employees affordable and accessible health care, they are making an important investment in the long-term health of employees — and at the same time creating an attractive and competitive employee benefit,” he says. “The corporation benefits by having employees who are healthy and more productive, and the employees benefit from an enhanced quality of life at work and in their personal lives.”

ly Partnership in Diabetes

Improving lives around the world.

Through education, support programs, and the development of innovative treatments, Lilly is working with healthcare professionals, scientists, and patients to improve the quality of life for those who have diabetes. Lilly is leading the way in understanding the disease and its complications, so that the future of diabetes is more about improving lives.

For more information, please visit us at
www.LillyDiabetes.com or
www.DiabetesEnEspañol.com

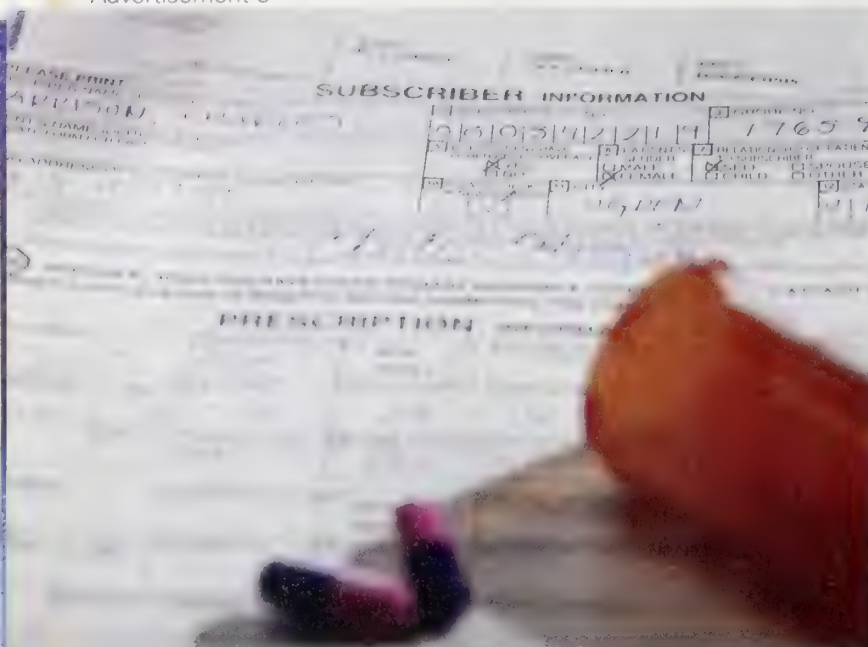


Working together for
better diabetes care

104 PRINTED IN USA 3000186085 1004
RIGHT © 2005, ELI LILLY AND COMPANY. ALL RIGHTS RESERVED.

Lilly

Answers That Matter.



THE COSTS OF DIABETES

In September, the *Journal of the American Medical Association* published a reanalysis of the leading causes of death in the U.S. The good news was that death rates from heart disease, stroke and cancer are going down. Death from diabetes, however, is trending up — 45% since 1987.

So are the costs associated with diabetes. According to the American Diabetes Association, the annual medical expenses for a person who has diabetes are nearly five times as high as those for a person who does not have diabetes.

While diabetes is on the rise, with more than 20 million Americans affected, so is its precursor: pre-diabetes, which affects an additional 41 million. "Right now, a third of the number of people with diabetes in this country don't even know that they have it," says Larry Smith, the ADA's chair of the board. "Add the number of people with pre-diabetes — where blood sugar levels in the blood are higher than normal, but not yet high enough for a diagnosis of diabetes — and we have an even deeper problem."

Though pre-diabetes often progresses to diabetes, diet and exercise can delay or prevent the onset of the disease. "Losing 10 pounds can really help," says Dr. Robert Rizza, M.D., president of the ADA. "Many people think they have to run a marathon or do something extreme to get any health benefit, but we are talking about 30 minutes a day for five days a week to get measurable health benefits. Some people feel overwhelmed, but they don't need to be."

The American Diabetes Association is the world's leading authority on diabetes. To aid in risk assessment, which is a critical first step in addressing the disease, the ADA offers an online tool called Diabetes PHD (PHD stands for Personal Health Decisions), a health risk-profiling program that allows users to enter their own personal health parameters to help predict the likelihood of developing diabetes-related complications. By modifying the online parameters — including weight, blood pressure or cholesterol levels — users can instantly see how behavior modifications might affect their long-term risk. "A user can enter '10 fewer pounds' or 'non-smoker,' and the program will recalculate your risks on the spot," says Dr. Rizza. "That way, you can learn, in a very practical way, what steps you need to take."

Diabetes PHD is available through the ADA's Web site at www.diabetes.org/diabetesphd. A wealth of information about diabetes, healthy living and nutritious recipes can also be found at www.diabetes.org.

The Corporate Case for Healthy Living was published in cooperation with the medical experts of the American Diabetes Association. The ADA does not endorse any of the advertisers appearing in this special advertising section.

WEB DIRECTORY

Aetna

www.aetna.com

American Diabetes Association

www.diabetes.org

Eli Lilly and Company

www.lilly.com

Pfizer

www.pfizer.com



EVEN THE HEALTHIEST COMPANY CAN SUFFER FROM DIABETES.

Diabetes is serious business. More than 20 million Americans have it. Another 41 million have pre-diabetes. It impacts your workforce, not to mention the economic well-being of your company. The American Diabetes Association is leading the fight to prevent and cure diabetes, and to improve the lives of all people affected by it. Please contact us at www.diabetes.org/executive to learn more about the nation's leading authority on diabetes, and how we can help you and your employees.



Trafficking in trouble:
Pyongyang cog.

Welcome to North Korea

Even when you are Hyundai, Pyongyang is a problematic partner.

By Donald Kirk

THE NORTH KOREAN TOUR guide whisks visitors past Pyongyang shops, half of them shuttered, and through a near-deserted department store. Down a potholed highway we look toward the industrial zone at Kaesong, near the truce village of Panmunjom that has straddled the line between the two Koreas since the shooting stopped in July 1953. A journalist is left to wonder: Can anyone make money from this barren, hardscrabble land, stripped of trees by an impoverished people struggling for food and warmth? What about those tales of rising trade and investment, of increasing economic freedom, of an elite, new and old, enriching itself from dealings with Chinese across the Yalu River?

The answers are as murky as Kim

Jong Il's five-year plan. The Pyongyang regime is eager to learn from the success of China, its only real friend, but is also worried about threats to its own survival, deeply suspicious of foreigners and wary even of South Koreans, who relentlessly pursue reconciliation despite endless disappointments.

Nothing better illustrates the muddle than the story of Hyundai Asan, an offshoot of the mighty Hyundai Group, set up in 1999 by Hyundai founder Chung Ju Yung for carrying out his dream of opening up the North to tourism, trade and investment. Executives of this pioneering Hyundai arm today want to talk about opening a new tour program for Mount Paekdu on the Chinese border, the highest point on the Korean peninsula and a sacred site for South Koreans, who visit

from the Chinese side. But they now find themselves denied admittance to Pyongyang.

Chung's dream was to fulfill a life that had begun on

a peasant's farm just north of Mount Kumgang, a collection of stony crags in what is now North Korea. Chung fled to Seoul as a teenager to make his fortune, but his heart remained much closer to home. In 1998, three years before he died at age 86, he saw to the launching of the first regular North-South tourist trade, initially by boat to a port built by Hyundai at the base of Kumgang and, since 2003, by road across the demilitarized zone. Chung laid out \$900 million for a deal that included exclusive rights to both the tourist business on Kumgang and development of the factory zone at Kaesong.

The ultimate price would be much higher, though, as South Korea, greasing the wheels to lure Kim Jong Il into inviting then-president Kim Dae Jung to Pyongyang for the first, and so far only



WORRY LESS. ACCOMPLISH MORE.

Trend Micro Worry-Free Security Solutions

Introducing the next generation of all-in-one security for Small and Medium business — a breakthrough approach that provides Automatic Protection 24/7, with zero administration. Spend time building your business. Don't spend time worrying about security. Trend Micro. Far more protection, far less worries.

Free yourself from worries at www.trendmicro.com/worryfree





inter-Korean summit in 2000, filtered several hundred million dollars through Hyundai companies into North Korean coffers. The tragic upshot, in August 2003: Chung Mong Hun, the son entrusted with leadership of Hyundai Asan, jumped to his death from his 12th-floor office in downtown Seoul amid an investigation into payoffs.

In the meantime the Hyundai Group had broken up. Other sons ran the highly profitable motor vehicle and shipbuilding units. Hyundai Merchant Marine had to sell off its ships, while Hyundai Engineering & Construction, the South's biggest builder, fell into the hands of creditors, partly as a result of the losses on Kumgang. Leadership of what was left of the core group, including Hyundai Asan, fell to Chung Mong Hun's widow, Hyun Jeong Eun; his most trusted lieutenant, Kim Yoon Kyu, remained chief executive of Hyundai Asan.

Imagine, then, the shock of Kim Yoon Kyu's dismissal from his posts in September on embezzlement charges—the shock not to South Koreans inured to headlines of high-level malfeasance but to North Koreans. Kim, it seemed, had formed closer ties with Kim Jong Il than anyone realized. One of the North Korean guides on the slopes of Kumgang explains the rationale for North Korea's abruptly slashing the number of South Korean tourists going to Kumgang from 1,000 a day to 600. “We wish to show confidence and support for Kim Yoon Kyu,” says Koo Eun Hyun, 20, quite nonspontaneously as we pause for breath by a burbling stream.

“We regard Chung Ju Yung and Kim Yoon Kyu as pioneers.”

The North Korean gesture was more than a momentary fit of pique. North Korea asked rival Lotte Tours, an offshoot of the Lotte Group, which includes enterprises in both South Korea and Japan, to run the tours to Kaesong. Lotte refused.

The implications of North Korean pressure on Hyundai Asan are enormous. “It's outrageous,” says Lee In Ho, ambassador to Russia during Kim Dae Jung's presidency. “It's up to a company to do what they want with their employees.” With an eye to their investment, Hyundai Asan executives are philosophical. “We don't worry,” says Jang Whan Bin, Hyundai Asan vice president. Last year, he says, Hyundai Asan broke even on tours to Kumgang for the first time—and it may still make a small profit this year despite the curb on tourist numbers. “If the nuclear issue is resolved,” he argues, clearly miffed by diplomatic efforts to get the North to give up its nukes, “then development will be accelerated.”

Or will it? At the Random Access Club, a weekly gathering at the Pyongyang lounge of the World Food Program that's attended by most of the 200 or so foreign

diplomats and aid workers, one of them has his eye on disquieting signs: The WFP and other aid givers have to stop food donations by the end of the year. The North Koreans can't abide their insistence on seeing where the food goes, preferring to count on an improved harvest and South Korean and Chinese largesse to make up the difference. Also, the government has halted the private sale of grain and cut down on sales through private shops, officially sanctioned for the past three years. At the same time Pyongyang has stopped all phone service between foreigners and citizens of the North, including officials. Those few North Korean

with the means to possess cars, more over, are banned from driving on Sundays and evenings—all to keep them from talking socially and possibly hatching plots. The crackdown insulates the superelite of a few thousand well-fed northerners with close ties—through blood, favors or other loyalties—to the dictator from any possible threat posed by newly well-off entrepreneurs.



Hanging out: Kim Jong Il flanked by widowed Hyun Jeong Eun and Kim Yoon Kyu; (top) North Korean guard on Mt. Kumgang, a tourist favorite.

At his office Richard Ragan, the WFP North Korea director, flashes a picture of his six-month-old twins on his computer screen and allows that he wouldn't mind returning to his family in Laredo, Texas. After nearly two years here, and despite loosening up of domestic produce markets that's likely to endure somehow despite the crackdown, he's dubious about chances of significant improvement in the \$18 billion economy. (That number reflects \$2.5 billion in trade, 40% of it with South Korea.)

Hyundai Asan, though, for all its problems, is gentlemanly. “We have already laid the table,” says Byun Hyeon Jung, a general manager. “We believe foreign investors would not face big obstacles.”

THE OOPS I JUST HIT "REPLY ALL" ERA IS OVER.



Microsoft® Office has evolved. Have you?

After all, the way we work has changed. Today, information is simply everywhere. Once it leaves your hands, anything can happen. That's why the latest version of Microsoft Office includes Information Rights Management technologies. Now you can put limits on the printing, copying, or forwarding of sensitive e-mail and documents. It's time to evolve the way you work. Discover how at microsoft.com/office/evolve

We're using Office 2000.
Should we upgrade?

Duh.



Microsoft
Office

Our potential. Our passion.™
Microsoft

Entertaining Yourself

Entertainment on the Internet flopped years ago. Yahoo says it has a better way: Do it yourself.

By Quentin Hardy

TERRY SEMEL HAD A HAND IN THE making of 400 films in 24 years at Warner Bros., defining a generation with such seminal works as the Superman and Batman series and *Goodfellas*. Now, having revived Yahoo in four years as its chief executive, Semel promises a whole new kind of entertainment in a most hostile setting: the Internet.

Never mind zapping movies and sitcoms over the Web (that is so Nineties)—Semel is betting on “social media,” letting some of Yahoo’s 200 million registered customers create their own content and share it with whomever they choose, linking up in rich multimedia cliques to swap pithy commentary and photos, songs, games, home videos and interactive fare that users themselves will invent.

“Social media is a whole new world,” he says. “Yahoo’s future is giving people the tools to generate their own content.”

Semel, 62, who took over Yahoo in May 2001 in the wreckage of the dot-com crash, has spent more than \$200 million in the past year to gear up for this push and to start a music-sharing service and buy a user-created photo-swapping network and other startups, some before they had any

revenue. He also has hired a cadre of seasoned Hollywood types, including former ABC network boss Lloyd Braun. Add some user tools—a way to create group travel guides, a personalized search engine—and Semel sees a new genre driven by an old purpose: to draw consumer eyes to Yahoo’s ads, which likely bring in 80% of its \$3 billion in annual revenue.

Yahoo just debuted a mapping service that shows where your friends are gathering on, say, New Year’s Eve. It aims to let chatters rattle off multiple instant messages to many recipients at once, and it wants to let you do Internet searches tied to sites your friends like. Semel has scientists looking at data-mining, user interfaces and the behavior of microeconomies, which might include things like scanning a million investment chat rooms to predict larger stock price trends.

He wants your Yahoo on your desktop, in your lap, on your cell, in your ear and at your fingertips, all day. It amounts to media for an ADD (attention deficit disorder) world: When users commune, they consume—and Yahoo cashes in.

But the rocky path to online entertainment has produced many casualties among those who arrived too early. Soon after the



dawn of commerce on the World Wide Web in 1995, a passel of entertainment giants and new-media boutiques tried creating online entertainment, to little effect. One hot startup, Digital Entertainment Network in Santa Monica, Calif., blew through \$65 million creating digital mini-shows before shutting down. Among its backers: Terry Semel, who watched his in-



ment go to zero.

The Net turned out to be better for communication and commerce. A decade ago, only one-third of U.S. homes have broadband Internet access, which can serve flashier fare. In Korea two-thirds of homes get broadband at 10 megabits per second or better, ten times as fast as in the U.S. In Japan the penetration is at almost

half, some with speeds of up to 100 megabits per second for \$50 a month.

Still, entertainment hopes are high in the U.S. Rupert Murdoch spent \$580 million for MySpace, an e-haven for teens cooing and chatting about their favorite bands. Ebay spent \$2.6 billion for Internet phone service Skype, to better connect people around the globe.

These are big bets, but the Internet's unique strength lies in letting users personalize their news, communication and entertainment online, in Web logs and instant messages, file sharing, search queries and personal software. Ideally, the content knows where you are and what you want, offering up, say, a midday joke on your pager or a pal's new picture on your phone. Then you

Terry Semel,
chief executive officer.



“Content was always something you made, now it is determined by user demand.”

use the Web to create and share your own content—more pictures, another playlist of songs messaged to your posse, feeds to your news page from an obscure blog—all provided by Yahoo, if Semel's vision works.

“Every medium mirrors to the things people want to do,” says Yahoo Chief Operating Officer Dan L. Rosensweig. “Radio had sound. TV had video. We've got interactivity, what they want, when and where they want it. We deliver on search, content, community and personalization. The world is moving from mass media to ‘my media.’” He hopes to plant high-value personalized ads on the new media, particularly in subscription services that collect

data on user preferences.

Right now some of it seems oddly homespun compared with the glitz of Hollywood, where Semel used to reign. In July Yahoo spent maybe a few million dollars to buy a three-person shop and its personal-software builder, Konfabulator, which lets users superimpose pop-up screens for continuous stock-price updates, local weather reports and the like; 200,000 new users download it free every day. Yahoo spent a reported \$30 million last spring to buy Flickr, a thriving new photo-swapping service that offers a “tagging” method that makes it far easier to search through thousands of photos. Yahoo researcher Bradley

Horowitz first heard of Flickr from a Yahoo engineer in Bangalore, then urged his bosses to buy it.

“It took a lot of persistence—Yahoo already had one of the world's biggest photo sites,” he recalls. But Flickr, he told the brass, had tens of thousands of users working as editors free of charge, and a developer platform for outsiders to write special add-ons for Flickr. Horowitz told the Yahoo leaders: “We have to take the culture from this petri dish and infect the rest of Yahoo with this good thing.”

Now Flickr's tagging technology, a kind of group rating on which photos are most popular, is moving into other Yahoo functions. An experiment called MyWeb 2.0 has users tag their favorite Web sites and access sites other people tag, creating a marketplace of taste and value. Flickr's most popular travel photos have also been linked to Yahoo's travel site. A recent acquisition, Upcoming.org, is expected to let friends commingle personal calendars so they can easily share evening plans.

(Then again, Flickr founder Caterina Fake, who still oversees her baby, worries that millions of people from Yahoo will flood her photo site, driving out her hardcore fans. In deference, Yahoo hasn't advertised Flickr, and it brands the site with only a modest “Y!” button.)

Yahoo's music service, which premiered in August, blends personalization and community. For \$60 a year it offers music at 79 cents a song, plus access to more than 1.5 million songs, community and sharing tools. Users can rate songs, create “recommended” lists and party mixes and message them to other subscribers. Within an hour after MyWeb 2.0 went up, a user crossed the music with a Flickr slideshow—precisely the kind of do-it-yourself content Yahoo wants.

ABC alum Braun, meanwhile, works on ways to offer more traditional professional media in ways that suit the short-attention-span Web groups. “We are looking at the evolution of the human brain into a multitasking beast, where people don't consume one thing, they consume two or three things at once,” he says. “You can count on getting only a piece of someone's attention.”

People won't stop watching TV, Braun says, but Yahoo can serve up eight-minute

AT&T

and

MASTERCARD®

Can your
network
reward
loyalty?

IMPROVE CUSTOMER RELATIONSHIPS. When MasterCard wanted to reward cardholders around the globe, they signed up with the world's networking company. Now, with intelligent, end-to-end networking solutions from AT&T, MasterCard can track and deliver customer rewards right over the network. As a result, MasterCard can help banks distribute airline tickets, merchandise, gift cards and financial services to enable increased activation and usage. Not to mention the kind of customer loyalty that money just can't buy. **CAN YOUR NETWORK DO THIS?**



AT&T

The world's networking company

To find out how AT&T's networking solutions
helped MasterCard transform its business, go to:

att.com/reward



Dan Rosensweig,
chief operating officer.

comedy programs they can consume on the fly. Your cell phone could serve up 60-second plot teasers promoting a TV program that night and amateur video from people chasing tornadoes in the Midwest.

When Semel first arrived at Yahoo in 2001, its stock had fallen from \$105 to \$10 (adjusted for splits), and fell further to only \$4 a few months later. Advertisers were fed up with Yahoo's dot-com arrogance and disarray. He set to pacifying advertisers, then simplified an organization that had grown pell-mell, skinning Yahoo from 46 to 6 divisions and shedding some 500 employees. He allied with phone giant SBC for broadband access. Now there are 11.7 million premium-paying Yahoo customers.

By June 2004 Semel was thinking harder about mining the 10 terabytes of data per day that Yahoo collects on Internet activity. Yahoo can identify 250,000 people a month who are shopping for a car, 75% of whom are expected to purchase within 90 days. Now the Yahoo lab looks for ways to find them and hook them into financing and money management.

Yahoo's back-office technology is now

"We are looking at the evolution of the human brain into a multitasking beast."

"built for millions of communities with micro-interests," says Farzad Nazem, Yahoo's chief technical officer. "Who knows where it will lead? Maybe movies will be more personalized, with plots that depend on who I am. People already play Halo [an online videogame] with inserts of their own personal voice-overs on the characters—how big will that be?"

In a year he has increased engineering staff by about a third, to 4,000 of Yahoo's 9,660 employees. Some specialize in "Ajax" coding, which allows information from things like maps, contact lists and calendars to appear on a single Web page, showing at a glance where next Thursday's dinner is and which guests you still need to call. Others struggle with artificial intelligence algorithms that mine online behavior to serve up different fare to different seekers. "A grandmother in Louisville and a teenager in Silicon Valley might put the same two words in a search box, but they don't want similar things," Nazem says. "You need to filter things to find the best pages."

Making the Internet alive with social media, he adds, is the biggest and most interesting Web pursuit yet. "Teens are on three instant messages at once, burning CDs while they are on the phone to their group. We have to deliver all their services in a seamless way."

Tailoring these offerings to individuals requires a personal touch—Yahoo staff must get involved, Nazem says. This is in sharp contrast to the software-only approach at Google, Yahoo's hotter and younger rival. "They just figure, 'What can we throw a machine at?'" Nazem says of Google. Google's search business is good, but search is just 5% of the activity on the Web. Social media is a try at bringing value

to the other 95%.

Besides, Nazem recalls, Yahoo in 1999 had a stock price at a few thousand times earnings, compared with Google's current 9

price-to-earnings ratio (Yahoo's P/E is about twice the market average). "From that perspective, we had even more hype

Nazem recently opened labs in Pasadena and Sunnyvale, Calif. (concentrating in advanced data mining and search) and Berkeley (for social behavior). The lab employ approximately 75 people, drawn from universities and government. "Understanding the fine-grained social behavior of a billion people is something no one has ever done before," says research chief Prabhakar Raghavan. "I want my scientists to shoot for \$100 million discoveries."

The scientists can search all they want but ultimately it will be up to Yahoo's millions of users to help Terry Semel pull off this entertainment gambit. "Content was always something you made. Now it is determined by user demand," Semel says. That is why, he argues, "Yahoo will be the most relevant place to go on the Internet."



Farzad Nazem,
chief technical officer.

"Maybe movies will be more personalized, with plots that depend on who I am."

AT&T

and

WHIRLPOOL

CORPORATION

Can your
network
perform
in harmony?

INNOVATE GLOBALLY. When Whirlpool Corporation wanted to foster innovation worldwide, they turned to the world's networking company. Now, with a global IP Virtual Private Network from AT&T, Whirlpool designers everywhere can access proprietary applications, share information, and collaborate in real time — all on a single secure, standardized platform. So the world's next revolutionary design can move from concept to your home faster than ever. **CAN YOUR NETWORK DO THIS?**



The world's networking company

To find out how AT&T's networking solutions helped Whirlpool transform its business, go to:

att.com/innovate

© 2001 AT&T

A Penny a Packet

Hindustan Lever, the Indian arm of Unilever, finds itself sacrificing margins in order to keep price-conscious customers | By S. Dinakar



Shampoo sachets galore in a beach town near Mumbai.

RANGANAYAKI IS A 20-YEAR-OLD domestic helper from Sri-rangam, a small south Indian town. Like many of the country's laborers, she is a regular customer for penny shampoo packs at her neighborhood shop. Used to be, the store owner would hand her one called Chik, a regional product. Today she has a wider choice, including colorful sachets made by Hindustan Lever Ltd., the Indian joint venture of European giant Unilever.

Hindustan Lever formerly focused only on better-off households, the ones employing the Ranganayakis of India. The prosperous households buy not only in greater volume but also with a greater sensitivity to brand choice. But now HLL (ticker number 6261674 on the Mumbai

stock exchange) jostles for display on the bargain counter with the likes of CavinKare, a privately held firm in Chennai that sells Chik.

Why this down-market extension? Because, in the long run, CavinKare threatens HLL's position in the middle class, where it does \$2.4 billion in annual revenues, 70% from personal and home care items. The threat comes on two fronts. One is that low-income buyers may develop brand preferences that will stick with them as they migrate up the income scale. The other is that, as the Harvard business strategist Clayton Christensen has made a career of saying, competitive attacks on big, established companies often come from underneath. Thus did Honda move up from motorcycles to snatch a piece of

Detroit's car business, and PCs evolved from toys into mainframe killers.

After five years of stagnating sales HLL is back on track to sell lots of bath goods. Third-quarter results showed a 14% rise in revenue from a year ago, nothing compared with the 40% annual growth seen in the latter half of the 1990s yet still a sign of revival. "We are on a new growth path," says Arun Adhikari, managing director of home and personal care, which accounts for most of HLL's earnings. Shares of HLL, after years of decline, have climbed 25% this year to around \$4.

But this time Hindustan Lever is gingerly embracing growth at the expense of margins. Volumes started looking up last year only after deep price cuts. But that hurt profits. Net before interest and taxes grew

AT&T
and
TEAM

McLAREN MERCEDES

Can your
network
smell victory
from 5,887
miles away?

DELIVER REAL-TIME ADVANTAGE. When Team McLaren Mercedes wanted a network as sophisticated as their cars, they joined up with the world's networking company. Now with data networking solutions from AT&T, McLaren can send crucial real-time race data right from any track around the globe to the McLaren Technology Centre in the UK. So the engineers can get the information they need to optimize the team's performance in milliseconds. And Team McLaren Mercedes can always stay ahead of the competition. **CAN YOUR NETWORK DO THIS?**



To find out how AT&T's networking solutions helped
Team McLaren Mercedes transform its business, go to:

att.com/victory

© 2004 AT&T

merely 3% last quarter as margins contracted in many products. In addition to the homegrown brands like CavinKare's, HLL is battling those from an old nemesis, Procter & Gamble, which is striking a blow on the laundry front.

For 75 years HLL, owned 51% by its Anglo-Dutch parent and affiliates, has been synonymous with consumer marketing in India. It stumbled when sales to the core customer base—the urban middle class and the rural well-off—turned flat. Also, a series of droughts stifled rural expenditures, and the urban well-off were spending more on televisions and mobile phones than on personal products. “It was a combination of sluggish market growth, declining rural incomes and restructuring within HLL,” says Adhikari.

More important, HLL's reluctance to sacrifice margins and take risks isolated an emerging class of consumers. India's poor may have gotten no richer, but several regional upstarts built businesses hawking products—such as shampoos, used earlier by the better-off—to the underprivileged at low prices for single-use packets.

Back in the 1990s HLL's managers didn't bother about a clutch of small-timers fighting to wash hair in rural southern India; after all, the tiny packaging cost more to make. “We were less noticed, less challenged and allowed to grow easily,” says Chinni Krishnan (C.K.) Ranganathan, CavinKare's chief executive.

Ranganathan founded his \$115 million (revenues) company in 1983. He launched a two-penny Chik when he noticed rural folk washed their hair with soap because they found HLL's shampoos unaffordable. With low-price sachets the rave by the late 1990s, he came back with a one-cent pouch and threw in fragrance to appeal to south Indian women, who traditionally adorn their hair with jasmine flowers for the sweet smell. The move tripled CavinKare's volume share in shampoo to 25% by 2003, according to market researcher ACNielsen. “We surprised the competition,” says Ranganathan.

While regional brands were proliferating, HLL was busy housecleaning. It pared its portfolio to 35 brands from 110, strongly influenced by Unilever, which itself spent time slashing hundreds of food

and personal care products. At the parent the move improved margins, but sales slipped. In India both sales and profitability suffered.

HLL's national share in shampoo has dropped from 69% in early 2001 to 49% today. “HLL was taken aback by Chik's popularity,” says Hemant Patel, analyst for the sector at ENAM Securities of Mumbai.

Meanwhile P&G, which sells home and personal care products through an unlisted arm in India, took a leaf from the competition's book—it slashed prices of premium detergents Tide and Ariel by up to half last year to increase its measly market share. HLL, also heavy in detergents, was forced to follow the price down last year.



Market shares stabilized, but HLL profit before interest and taxes plunged 28%.

In the past, when competition was scarce, HLL had more pricing power, but frequent hikes are not possible today. Rural incomes are flat and agricultural growth stagnant, despite India's seeming boom. (And everybody is paying more for fuel.) Moreover, with organized retailing flexing its muscles, margins will be further squeezed. So HLL has set about tweaking costs—some Indian states are offering large tax breaks for manufacturing units.

A Merrill Lynch report on HLL says that growth rates are now looking better from a surcease in markdowns, but the fundamental issues of stiff competition have not changed. The report finds HLL's valuation at 30 times earnings unjustified for a busi-

ness likely to grow at best by 15%.

How long will chastened HLL now pursue growth at the expense of fatter margins? It argues that price-cutting is a short-term phenomenon. “P&G's price cut cannot last. They tried the same in Latin America. Eventually prices will move up,” says Adhikari. (P&G wouldn't comment.)

Another way to turn the margin tide in the longer term is innovation. HLL has not had a blockbuster new brand for decades. It has shown reluctance to spend, preferring to stretch existing brands until they fray. “Even a CavinKare builds brands—every time they hit a new segment, they launch a brand,” says Nikhil Vora, vice president of research at SSKI Securities of Mumbai. CavinKare, for example, is going upmarket with shampoo it developed for the more affluent. (Professor Christensen could say Told you so.)

Entrepreneurs such as CavinKare's Ranganathan work more on instinct and less from research data; new products get shelf space faster, and risk-taking is high. Moreover, they are not answerable to bean counters abroad. Not so with HLL. Analyst Vora says that several heads get involved in brand launches, and nobody takes responsibility.

Manvinder Singh Banga, the former HLL chairman, who led HLL to stagnation and oversaw the halving of the company's stock price during his tenure, still got a promotion to head of Unilever's food division. At the same time managers expected to make money from day one are unwilling to take risks with brands in fast-growing but long-gestating businesses such as foods, also under attack.

Yet HLL understands the benefits of innovation. Last October its Wheel line climbed ahead of the one from Nirma, a western Indian pioneer of low-cost detergents. In the 1980s Nirma forced HLL to launch a low-price detergent, which now accounts for nearly half of HLL's detergent sales. HLL dug in for 20 years with Wheel to overtake Nirma.

Unfortunately for Adhikari and company, P&G is about to hit the same laundry segment. In this proliferating competition only the housemaids of India are sure to win.

Enterprise Document MANAGEMENT

D-TO-END STRATEGIES FROM PRINTING TO SHIPPING

Written by aimpublications LLC

Produced by Bob Grossman



Many of the ways that enterprises today manage their documents involve the intricacies of information technology — hardware, storage networks, software that oversees process flows, and what to archive and when.

Nevertheless, all those computing devices and techniques have not delivered on the promise of the “paperless office.”

Eats CDs for breakfast.

Shred something big. The Powershred SB-85C. Mega muscle. Mega drive. Confetti-cuts 15 sheets at a time so you can power through that stack of mail—envelopes and all. Plus, DVDs, CDs, credit cards and paper clips.



www.fellowes.com

THE WORLD'S TOUGHEST SHREDDERS


Fellowes



the contrary, according to a recent study by the Electronic Document Systems Foundation, the amount of paper in use has doubled every four years since 1992 and grown by an average annual 6.5% for the last 20 years.

That's why paper documents will continue to play a major role in organizational documents for many years to come. This is true for desktop-oriented media such as hard drives and DVDs on which many electronically generated documents are stored before or after being printed onto paper. In an increasingly online world, paper documents inform and persuade in a more informal, less pressured way than electronic counterparts, and although electronic media will evolve and change, paper documents won't disappear.

Both large and small organizations still rely on elemental and straightforward document management techniques and tools. These include utilizing the right type of paper on which to print documents, as well as the many types of devices and containers that effectively organize, store, distribute and store them. It also includes machines such as shredders that are capable of destroying documents (and thus preserving the confidentiality of the information they contain) when their useful lifespan has ended.

Without such document management tools, most organizations simply would not be able to function.

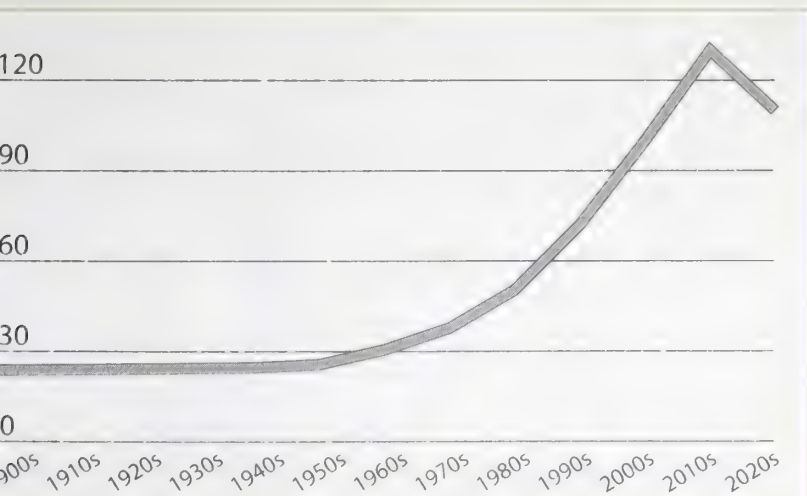
PRODUCTS SUPPORTING KEY DOCUMENT PROCESSES

In our still-paper-dependent world, organizations need a variety of equipment to handle the paper and the desktop electronic storage media so fundamental to their ability to do business.

FROM DISTRIBUTION TO DESTRUCTION

As soon as documents are created, the document management challenges begin, and Fellowes, Inc., products make meeting those challenges easier and more cost-effective. Consider the life cycle of a document:

- *Communicated and distributed* — Fellowes offers products that handle document binding, laminating products and the mail carts needed to move documents through office environments;
- *Organized* — To keep document chaos at bay, Fellowes provides desk organizers, cubicle organizers and literature organizers;
- *Stored* — In addition to Fellowes's media storage offerings, its storage boxes and storage drawers provide strong, reliable, low-cost, space-saving document storage;
- *Protected and/or destroyed* — Fellowes's powerful, durable shredders are an essential tool in preventing identity theft and protecting organizations from the liabilities associated with lost or stolen personal data and corporate espionage.



Source: Electronic Document Systems Foundation

Protect against identity theft.

Shred all:

- Credit card receipts
- Financial documents
- Personnel records
- Canceled checks
- Banking information
- Legal documents
- Anything with your SSN

**BE SAFE,
SHRED IT!**



Fellowes

STRONGER STORAGE SOLUTIONS

Fellowes offers two kinds of low-cost Bankers Box® storage systems.

Bankers Box Storage Drawers are designed for frequently accessed files stored in a limited space without shelving units. Storage drawers offer easy access to files, thanks to supporting frames that make easy work of sliding the drawers out. They come in three strengths, measured in terms of their stackability: basic strength can be stacked two units high, steel-supported extra strength will stack up to five units high and steel-framed maximum strength can be stacked as many as 10 units high.

Bankers Box Records Storage Boxes are best used for documents that are infrequently retrieved, and are available in three stacking strengths, as well as several lid styles, and have a quick, one-step assembly option.

THE RIGHT SHREDDER

When it comes to choosing a shredder, Fellowes suggests that you ask three questions:

- *How much will you shred and how many people will use the shredder?* Buy a large-office shredder if 10 or more users shred 5,000 to 36,000 sheets per day. Buy a department shredder if 6 to 10 users shred 3,500 to 14,000 sheets per day. Buy a small-office shredder if five or fewer people shred 2,000 to 6,000 sheets per day.
- *What level of security do you need?* Strip-cutting shredders are good, but confetti-cutting shredders offer maximum security and are recommended.
- *What do you need to shred?* Consider a shredder that can handle credit cards, CDs, staples, paper clips and greenbar paper as well as the usual office paper.



Paper shredders are an effective way to manage sensitive documents.

POWER TO THE PAPER

Documents worth keeping typically carry informational value. As studies have shown, when information is presented in color documents, it attracts more attention and is easier to comprehend and retain.

WHY COLOR MATTERS

In one study, invoices using color to highlight the amounts owed, due dates and return address got paid more than 30% faster. Researcher Dataquest has found that color documents:

- Heighten willingness to read by 80%
- Improve retention and recall by up to 78%
- Boost recognition by 78%

Yet another study by International Communications Research shows that color documents are regarded by 92% of business employees as presenting an image of impressive quality, and 90% believe color documents help attract new customers.



COST-EFFECTIVE COLOR DOCUMENTS WITH COLORLOK™

But too often, the most cost-effective way to generate color documents — inkjet printers — has frustrated users. The ink in freshly printed documents smeared because it didn't dry quickly enough. When the ink did finally dry, the paper absorbed it unevenly, so color ended up irregular and the black-ink text was faded and not crisp.

Never again. International Paper Co., the world's number-one paper producer, has worked with the world's number-one printer firm, Hewlett-Packard — to create ColorLok technology, a breakthrough in inkjet paper that enables the quality of inkjet color documents to rival that of color laser printer output.

Thanks to this research-and-development collaboration, those who use *HP Everyday Papers* with ColorLok — manufactured exclusively by International Paper — in concert with HP inkjet printers and inkjet copiers will be able to print color documents that dry much more quickly and are less likely to smear.

ColorLok technology is engineered into every sheet of the best-selling *HP Everyday Papers*, all of which are identifiable by the distinctive ColorLok logo. The ColorLok papers also work as well with other laser printers, as HP papers always have.

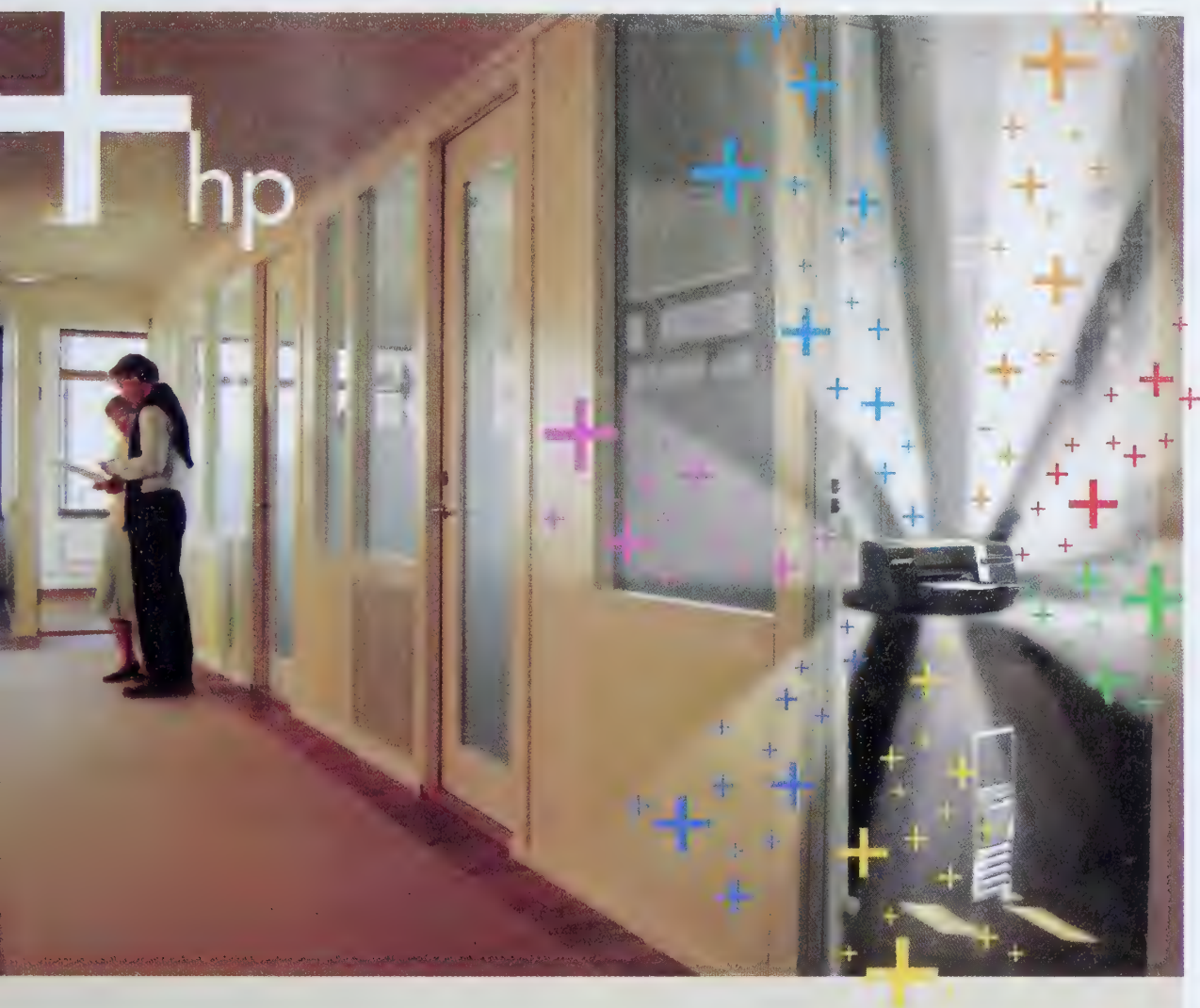
Special additives have been incorporated into the paper so that ink does not penetrate the paper too deeply. Consequently, documents will exhibit more uniform and vivid colors. Thanks to this "improved optical density," black text will appear darker and bolder, and even gray tones will look richer and deeper.

What's more, International Paper's ColorLok *HP Everyday Papers* are brighter and, more important, whiter than ever before — so the documents printed on them are more vibrant and brilliant than ever and of archival quality. This breakthrough technology is certain to benefit companies of all sizes, as well as individual consumers, to manage their documents more effectively and efficiently.

Web Directory

Fellowes, Inc.
www.fellowes.com

International Paper Co.
www.internationalpaper.com



Unlock the full power of your HP printer.

Introducing HP Everyday Papers with ColorLok, the next generation of printing technology. Documents dry faster, so you can handle them sooner with less smearing. Blacks are bolder, for improved contrast and sharper text. Colors are uniform and vivid, so your work looks better than ever. Simply use HP inks and our reformulated papers with the ColorLok logo on the package, and all the benefits of ColorLok technology are yours.



HP original supplies. This watermark helps protect printing.



America's Largest PRIVATE COMPANIES

Bright Spot

AT 10 A.M. THE MERCURY HAS CLIMBED TO 95 DEGREES in the northern foothills of Mexico's Sierra Madre mountains. No sweat for the handful of workers inside the cavernous air-conditioned Cone Denim plant on the outskirts of Parras de la Fuente, where Sulzer Ruti weaving machines shoot white thread six times a second across a roll of indigo-dyed warp yarn stretching 6 feet wide. The deafening machinery rattles 24/7, every day weaving enough denim for 70,000 pairs of pants. Operating costs for the plant co-owner, International Textile Group of Greensboro, N.C., trail those of U.S. mills by 25% (before debt service). Defect rates run a puny 1%. Most orders can be filled within 48 hours.

Five hours south of the U.S. border, Parras is hardly a textile mecca. The remote farming town is better known for producing wine, brandy and rebels. Francisco Indalecio Madero (1873–1913), who staged a coup in 1911 to become Mexico's president, was born here. Ninety-four years later industrialist Wilbur L. Ross is launching his own revolution.

The owlish Ross is a well-known agglomerator of businesses producing steel, coal and now auto parts (*see box, p. 196*). But he also wants to turn the troubled U.S. textile industry inside out. Using the Parras Cone plant as a manufacturing template, his ITG is building a global network, forming partnerships with suppliers, licensing technology and developing specialty markets abroad. Ross aims to be the cheapest, quickest, highest-quality and most flexible clothmaker on the planet. To make it worth his while, he is merging the commodity business of unfinished cloth with the traditionally separate enterprise of producing finished goods (apparel and home furnishings). Most radical of all, Ross wants to capitalize on the developing world not merely as a place of cheap labor but, ultimately, as a source of new customers for fabrics that will become jeans and bedspreads.

If ever there was an area of commerce in need of help, it's the two-century-old business of industrialized textile manufacture. What remains of the American industry relies on an archaic, inefficient confederation of mills, unions, middlemen and contractors, all knit together by a tangle of tariffs and textile quotas. Relaxation of trade restrictions has led to a flood of imports,

Buyout king Wilbur Ross is putting new life into the moribund U.S. textile industry. By Mark Tatge

especially from China (*see story, p. 161*). Since 1997, 367 U.S. plants have closed, resulting in the loss of 440,000 jobs; the remaining mills operate at 50% of capacity, and only 4% of the apparel sold in America is sewn here.

When it comes to takeovers, the lousier the prospect, the better for a guy like Ross, 67. Armed with \$4.5 billion in private equity, he has plowed \$700 million into revitalizing bankrupt textile companies since 2002. "We saw the mills had way too much debt, a lot were filing for bankruptcy and we knew the clock was ticking away with quotas expiring," Ross says. Bankrupt Burlington Industries was his first target. The maker of home furnishings, apparel, jacquard fabrics and custom printing collapsed in 2003 under \$1.1 billion of bank and junk-bond debt. But it was a relative song—\$450 million, including assumed liabilities. Ross merged it with the world's largest denim maker, bankrupt Cone Denim, acquired last year for \$90 million, forming ITG.

Ross typically buys up 25% to 50% of a target company's debt, at a steep discount, as it's skidding toward bankruptcy, using capital from eight funds the WL Ross Co. manages. Once it's in Chapter 11, Ross gets himself elected head of the creditor committee and begins muscling management and unsecured lenders. Postbankruptcy, Ross invests new equity capital from his own pocket. This approach has worked well at ITG, whose total debt is \$50 million, roughly 10% of capitalization: This year the holding company should earn \$80 million pretax on revenue of \$900 million. Denim accounts for half or more of ITG's earnings.



America's Largest PRIVATE COMPANIES

and 40% of sales; the other 60% comes from home furnishings, synthetics, worsted wool, coatings, dyeing and fabric printing.

The son of a New Jersey school teacher and a judge, Ross pondered a fiction-writing career as an English lit undergrad at Yale. But during a summer job on Wall Street, he got hooked on numbers. He completed an M.B.A. at Harvard and landed at Rothschild Inc., where he spent two dozen years fixing spectacular failures, Eastern Airlines and LTV among them. As the millennium approached, Ross got Rothschild to sell him control of a \$200 million fund he was already managing and raised another \$250 million from investors. WI Ross opened its doors on Apr. 1, 2000. One of his first ventures seemed appropriately foolhardy: buying busted U.S. steelmakers. But, with restructuring and help from George Bush's temporary 30% tariff on imports, the bet paid off. Ross sold International Steel Group last year to Indian

steel magnate Lakshmi Mittal for \$4.5 billion, netting Ross \$260 million. (Most of the proceeds went to Ross' partners and to public investors who had bought stock in the company when it went public.)

Like steel, the textile industry has suffered from high labor costs. But instead of persuading unions to accept lower benefits and shoving pension liabilities onto the government, Ross decided to take his manufacturing business overseas. In unionized Mexico hourly rates run \$4 (one-quarter the average of textile workers in the U.S.), in Guatemala \$2 and in China 85 cents. But with significantly lower wages come quality problems. Customers like Levi Strauss, the Gap and Eddie Bauer require fabrics that meet rigorous color, consistency and finishing standards.

It's one thing to meet those high demands in Mexico. The 640,000-square-foot Parras Cone plant all but eliminates imperfections caused by human hands. Computers and optical scanners more or less run the factory,

where 490-pound bales of west Tex cotton are spun into yarn, dyed with indigo and woven into denim, knocking 75 cents off what usually costs \$3 a linear yard to produce in the U.S.

But achieving such quality is a vexing problem across the globe in Vietnam. Drawn there by hourly wages of 40 to 50 cents, Ross recently became a 51% partner with the \$1 billion (sales) Vietnam National Textile Garment Group, a.k.a. Vinatex, in Hanoi. ITG has agreed to build a \$100 million denim-twill plant; today Vietnam imports its fabrics, which tend to be of mixed quality. Vinatex will be the exclusive company sewing for Corcoran Denim in Vietnam. The idea is to produce goods for the mass market four to six months before the start of the selling season. Shorter runs of specialty denim, commanding premium prices, will be made in North Carolina, Mexico or Guatemala.

Cheap wages, high-quality fabric and proximity to customers—all these have pushed ITG deep into Latin America.

Gold in the Rust Belt

HAS WILBUR ROSS EVER MET A RUST-BELT INDUSTRY HE didn't love—especially if its assets can be sold for 75% below book value?

Everyone knows what he did with steel. Turned into a slag heap by low-cost imports, bloated and ridiculous work rules, the U.S. business was ripe for a roll-up and rationalization. Ross combined five bankrupt U.S. steel companies, trimmed \$15 billion in legacy liabilities and sold the whole cannoneer last year, netting a gain of 2.5 times his \$104 million cash investment over a three-year period. Timing was on his side. Unions couldn't bargain, since some mills had shut down. Ross began buying just as a 30% tariff was imposed on foreign steel.

Here's how he is transforming other industries:

AUTO PARTS By acquiring struggling companies, Ross aims to create a large, profitable supplier to U.S. and foreign carmakers. In July he snatched a minority share of bankrupt Collins & Aikman's (2004 sales: \$4 billion) \$750 million in bank debt; he currently is in negotiations with the majority holders. Soon afterward he got 77% of Safety Components, a Greenville, S.C. maker of air bags, fabrics, fire-resistant clothing and cushions, for \$51.2 million, and 20% of French auto parts maker Oxford Automotive ApS, which recently emerged from bankruptcy. He has teamed up with automotive interior supplier Lear Corp. for acquisitions in auto plastics and interiors—which could provide a nifty fit for Ross' textile mills.

COAL Prices were in a slump when Ross began buying the debt of bankrupt coal companies in 2001. Most were poorly cap-

italized; some couldn't afford to jettison coal out of the mines. Yet the black stuff is still a mainstay for power companies and steel makers and fuels 51% of electricity production. Into his bag of tricks went Anker Coal, Conquest Development and Horizon Natural Resources, to become International Coal Group, now the world's sixth-largest coal producer, with reserves of 700 million tons. Ross plans to raise \$250 million in a public offering soon.

INSURANCE Another severely undercapitalized business, the result, says Ross, of calamities like Sept. 11 and Katrina—and of charging too little in premiums. "The whole business needs to be transformed," says Ross. He hasn't yet pounced on any companies or named potential targets. That might drive up the price.

—M.T.

Never Follow audiusa.com



Adventure capital.

Audi S4 is a bold testament to the power of control. With quattro® all-wheel drive and a heart-pounding 340 hp V8, the forceful acceleration and precision handling of the S4 is a solid investment in future adventures. It's greater to lead than follow.



"Never Follow," "S4," "quattro" and the four rings emblem are registered trademarks of Audi AG. ©2002 Audi of America, Inc.

America's Largest PRIVATE COMPANIES

Such lures have also turned Ross, a determined protectionist when it came to steel, into an ardent free trader, lobbying to lift textile tariffs and quotas in what eventually became the Central American Free Trade Agreement. With Cafta in hand, he is negotiating to buy land for a \$100 million denim plant in Guatemala, Nicaragua or El Salvador. All three governments have offered him deals that would eliminate \$2 million a year in income taxes, value-added taxes and tariffs for up to a decade. Cafta eliminates 16 cents of tariff on every dollar of textiles and apparel sent to the U.S., saves \$3 million to \$4 million in freight costs and shortens lead times by ten days, says Carlos Arias, executive vice president of Koramsa in Guatemala City, one of the largest denim-sewing shops in the world.

Arias figures that Koramsa and Cone Denim can get a larger slice of the \$12 billion (retail) U.S. denim market. That segment is growing 8% a year, twice the rate of the overall apparel market, according to NPD Group, a Port Washington, N.Y. market research firm. One way to get more business is to cut production time, and Cone Denim Chief Executive John L. Bakane thinks partnerships with neighboring sewing shops like Koramsa can slice the average four-month new-product cycle—from a test pair of pants to a full run—in half.

Streamlining the supply chain is only half the battle. Ross is counting on new and specialty lines to rejuvenate profits whacked by low-cost imports. One area: uniforms for the U.S. armed forces, airline and hotel workers and police. Last year Ross bought Cleyn & Tinker, a Canadian maker of worsted woolens and uniforms, and moved production to Mexico. ITG now has uniform sales of \$100 million and stakes claim to being the largest U.S. uniform maker.

Another approach is to produce higher-margin fabrics. At Parras Cone, Ross is investing \$25 million for 12 lines of ring spinners, which twist yarn by passing it through a ring guide that rotates around a spindle. Ring-spun

yarn produces a soft, smooth and strong yarn that commands top dollar in finished goods. Ordinary jeans leaving Mexico typically cost \$12 (cloth is \$3 to \$4, the rest is labor, sewing and finishing), wholesale for \$24 and retail at \$48.



Threadbare no more: At ITG's Parras Cone mill in Mexico a mechanized plant is turning out high-quality, ring-spun yarn that fetches top dollar in finished goods. Jeans made from the yarn can retail for up to \$200, four or five times the price of a "normal" pair.

But a pair of pants made with ring-spun yarn and speciality finishes can command \$150 to \$200, producing a gross margin of 66% to 75% at retail. Such jeans aren't ready for sale until they're ripped to shreds—as they literally are at the Original Mexican Jean Co., where

workers sandblast denim with high pressure air hoses and go at it with knives, scrapers, chemical washes, even shotgun blasts.

The really cool stuff, with potential worldwide reach, will come from nonwoven fabrics made up of microscopic carbon polymers. Nano-Tex of Emeryville, Calif., owned by WL Ross, and ITG's labs in Burlington, N.C. are developing materials that don't burn, that neutralize dangerous microbes, absorb smoke and chemicals and ward off insects—promising technology for the medical and military establishments. Some nanotech applications are

already being sold: shirts, ties, pants and mattresses that repel stains, wrinkles, moisture and odors. "Wilbur wants to help people sell garments," says Pete McGrath, executive vice president of sourcing at J.C. Penney. "He gets what it is all about."

And not just for American customers. In China apparel spending among urban women is growing at 13% a year, according to A.T. Kearney. No wonder

Ross has been prowling for opportunities—investing \$50 million for a 51% piece of a new denim mill in Jiaxing and \$20 million to build a dyeing and finishing plant in Hangzhou, both in Zhejiang Province; licensing the Burlington name to the China Ting Group, which will make window treatments and bedding; searching for a partner to start manufacturing synthetic fabrics for sportswear in western China.

Ross sees no risk of overexpansion mostly because of China's thirst for Western goods. Chinese consumer spending is expected to grow at an annual rate of 18% until 2014. Two of Cone Denim's biggest customers are waking up. The Gap is exploring the idea of franchising in China. Levi Strauss is playing coy about its plans but is looking to Japan, where customers wait hours for vintage Levi 501s to go on sale, as a hoped-for model for China. Says a Levi spokesman: "They line up like it's a rock concert."

MANAGING THE MOBILE WORKFORCE

WRITTEN BY JOHN DICKINSON

PRODUCED BY BOB GROSSMAN

THE MOBILE WORKFORCE HAS ARRIVED, AND TODAY'S EXECUTIVE IS RUNNING IT, NOT JUST FROM AN OFFICE, BUT ALSO FROM A CELL PHONE OR A LAPTOP COMPUTER. AND THE MOBILE WORKFORCE IS NO LONGER COMPRISED SOLELY OF WEARY TRAVELERS LUGGING HEAVY LAPTOPS. INSTEAD, THEY CARRY THEIR WORK ON EVERY SORT OF DEVICE FROM SMART CELL PHONES TO SIGNIFICANTLY LIGHTER LAPTOPS, AND THEY WORK VIRTUALLY ANYWHERE, CONNECTED WIRELESSLY TO THE INTERNET AT A COFFEE SHOP, HOT SPOT, AT AN AIRPORT OR EVEN AT HOME.

Every size and type of mobile device in use today is faster, more reliable, more capable and runs longer than mobile devices from just a few years ago. More important is the convenience and flexibility they offer executives on the go.

One businessperson can reproduce and control his or her home office telephone environment through the laptop, while another can use a cell phone to send e-mail with pictures attached. At the same time, a PDA user can wirelessly browse the Web, and any team member can convene an online conference with everyone else, wherever they are. This increased functionality makes messaging and communications the productivity cornerstone of the mobile workforce.

All of this technology makes it impossible to tell where an executive is at any given moment, but it certainly enables that executive to make key decisions right now, when it counts.

NEC: PROVIDING SEAMLESS MOBILITY AND POWERFUL ACCESS

When today's mobile workers are away from the office, it doesn't have to mean diminished productivity or accessibility. NEC's latest unified communications technologies enable laptop users to work just about anywhere whenever they can't be at their desks.

"If I want to work from home, or from a hotel or coffee shop across the country, no one has to know it," says Bruce Grant, assistant general manager for NEC Unified Solutions. "The NEC Communications Portal enables me to replicate my desktop communications environment and to control it, which means I can work just as efficiently as I could in the office, regardless of where I may be at any given moment."

For starters, that means a mobile worker in a hotel room can use





"The NEC Communications Portal enables me to replicate my desktop communications environment and to control it, which means I can work just as efficiently as I could in the office, regardless of where I may be at any given moment."

— Bruce Grant
Assistant General Manager, NEC Unified Solutions

a software-based telephone to make all inbound and outbound calls. Thanks to Communications Portal's rules-based call routing, if a call comes in during a meeting and it's from an important client, it can get through, while a call from someone else will be directed to voice mail.

Communications Portal also provides mobile executives with a simple way to access the company directory, as well as private special-purpose telephone directories using something NEC calls Portlets. Portlets give users an easy, single-password sign-on system, and then simplify their telephone experience by providing automated dialing through the software telephone installed on their laptop computer.

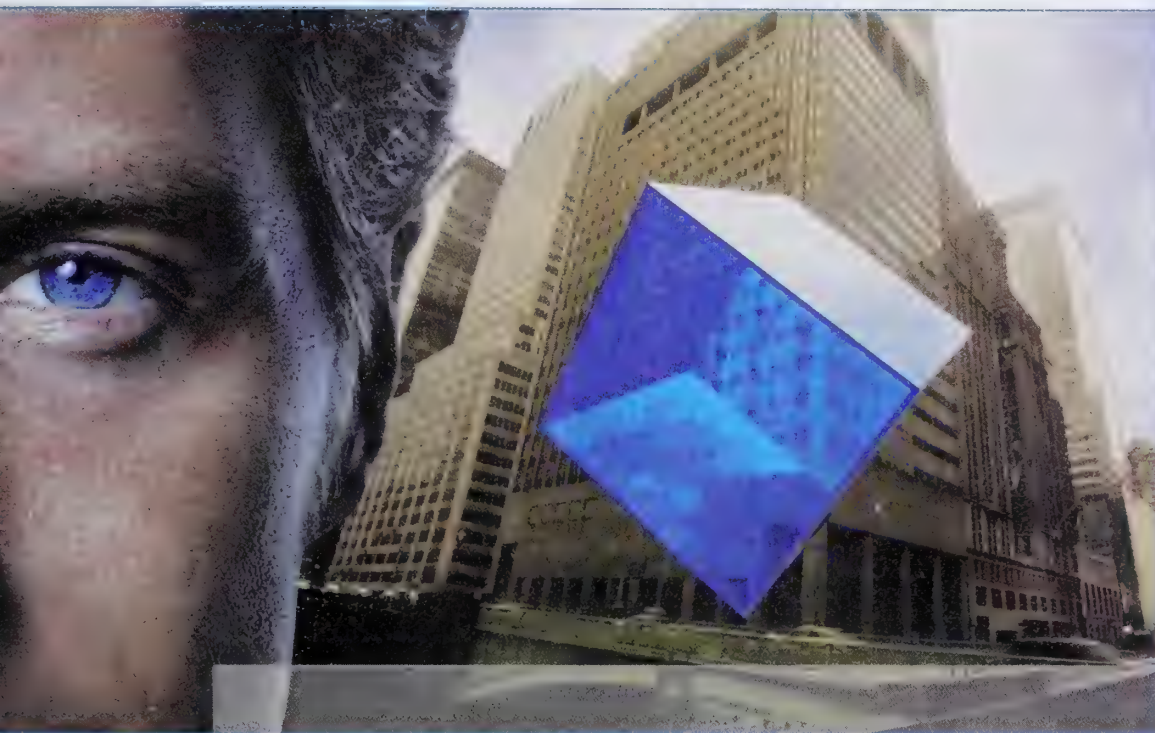
"It's as automated as you want it to be," says Grant. "For example, if you schedule a meeting using Microsoft Outlook, your status will automatically change at the meeting time and your rules about what to do when you're in a meeting will take over." Once the user is connected to the corporate directory, the rules established by the people with whom he or she is communicating will govern outbound calls.

NEC has integrated its Communications Portal with Microsoft Exchange, and has plans to bring its technology to other group-oriented messaging environments. However, the extra applications are not required. "Any NEC telephone customer can be equipped with Communications Portal," says Grant, "and the productivity gains are tremendous if all you are counting is the reduced costs of telephone calls from remote locations, especially hotels." His strong suggestion: "Just ask your IT staff about it."

BEST BUY™: AIDING PRODUCTIVITY AT WORK, AT HOME, AT PLAY

Where do you find out about the latest mobile equipment? Where can you see it? How do you connect and use it? Best Buy has the answers for you, and much more about today's exciting mobile technology, at BestBuyInsider, a unique new Web site that





NEC IP.

A multidimensional solution for a changing world.

To maximize the benefits of IP communications, your business needs more than technology. It needs a partner with the experience to deliver a multi-dimensional solution based on your unique requirements. At NEC, we combine the resources of a \$45 billion global technology leader with over a century of communications expertise. The result is a comprehensive open-platform IP solution for your business that enables a swift and rewarding transition today, and unlimited growth potential tomorrow. Advancing businesses communications: just another way NEC empowers people through innovation. 1-800-338-9549

— www.necus.com/necip

SERVICES AND SOFTWARE ENTERPRISE NETWORKING AND COMPUTING SEMICONDUCTORS IMAGING AND DISPLAYS

© 2005 NEC Corporation. NEC and the NEC logo are Registered Trademarks of NEC Corporation. Empowered by Innovation is a trademark of NEC Corporation.

Empowered by Innovation

NEC



**BEST
BUY**

Thousands of Possibilities

Show your technology who's boss.

Informational videos. Updates on the latest products.
99¢ movie downloads for your laptop.

visit www.BestBuyInsider.com



By using BestBuyInsider.com, you'll have the latest information about the newest and best equipment to keep you productive on the road, the technology behind it and how to pull it all together and use it well.

can be found at www.BestBuyInsider.com.

This new Best Buy Web site is designed to meet the technology information needs of mobile executives at work, at home and at play. BestBuyInsider features videos and 3-D animated demonstrations that will show and tell you everything you need to know about the latest mobile technology and products. It also includes articles from leading technology and news publications. By using BestBuyInsider, you'll have the latest information about the newest and best equipment to keep you productive on the road, the technology behind it and how to pull it all together and use it well.

The BestBuyInsider "At Work" section is strongly focused on knowledge worker productivity while on the road. The area features reviews of products that will make it easier and more effective for people to accomplish their tasks, wherever they are. Whether it's covering the latest cell phone technology, a wireless PDA Web browser or laptop computer, "At Work" will keep you informed about how to operate at a peak level and the products that will help you do that.

BestBuyInsider "At Home" includes articles on products and technology that enable mobile workers to connect to work from home and stay productive. The same technologies provide your family with a rich technology experience, and articles are designed to be shared with family members who may not be so interested in work but are interested in the state of their home technology.

BestBuyInsider "At Play" covers topics that may not be technical, but this section recognizes that a good golf game might help the mobile salesperson land the next big deal. Like all engaging Web sites, it uses great technology to present information about all sorts of interests.

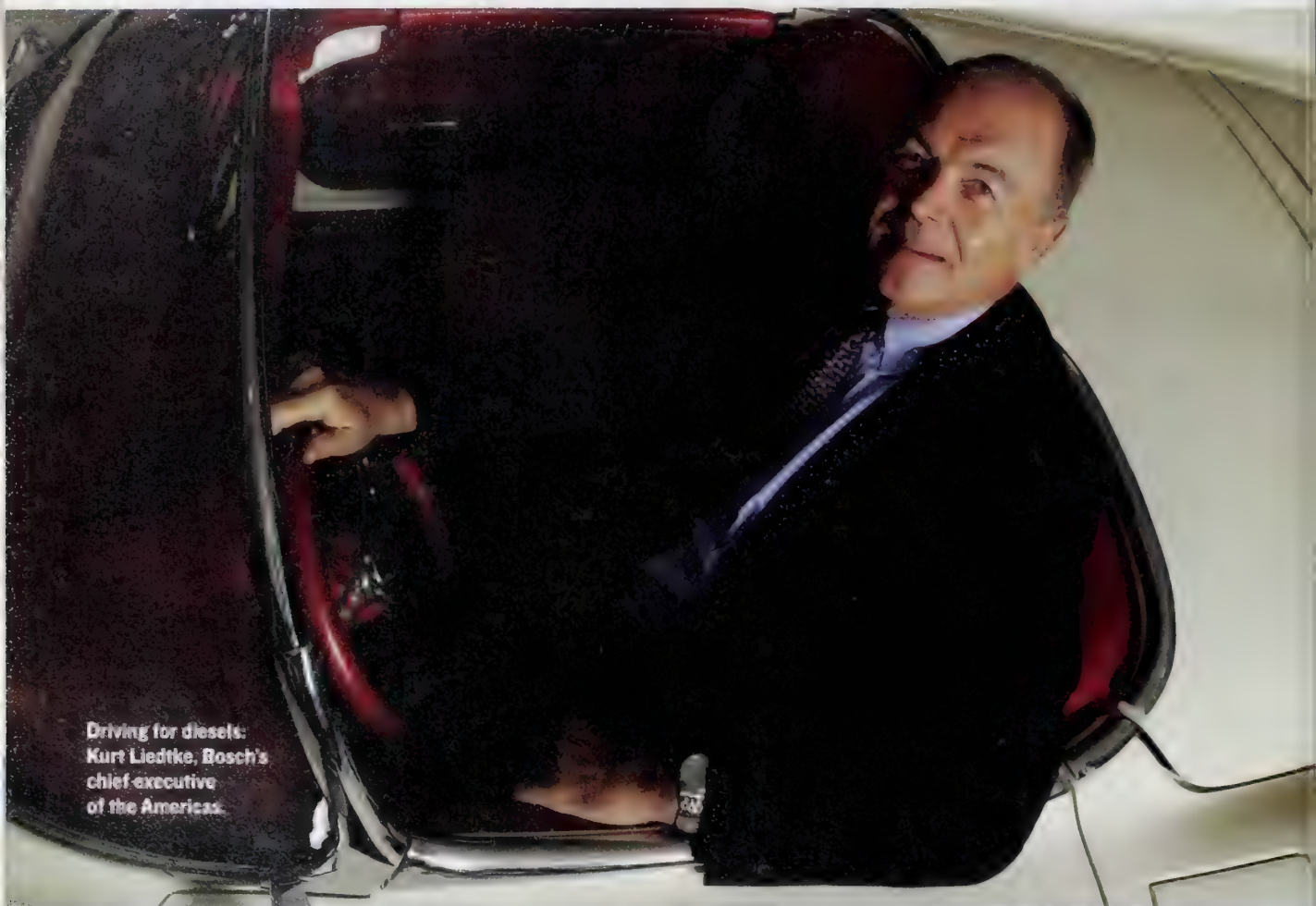
If you like a product you see at BestBuyInsider, you can buy it at the Best Buy Web site by clicking a few buttons and entering your payment information. Or you can check if the store closest to your location has the product in stock so that you can buy it in person. You can keep up with everything happening at BestBuyInsider by signing up for e-mail updates, and if you ever have a problem with your computer products, you can use the site to call on the Best Buy Geek Squad 24 Hour Computer Support Task Force® to fix it right up. ■

WEB DIRECTORY

Best Buy: www.BestBuyInsider.com

NEC: www.necunified.com/mobility

Parts for the Sensitive Car



Driving for diesels:
Kurt Liedtke, Bosch's
chief executive
of the Americas.

How do you make money in car parts, an industry best known these days for its bankruptcies? By making components no one else offers. That has always been the Robert Bosch philosophy | By Joann Muller

IMAGINE YOU'RE CRUISING A BUSY city street. You finally spot a parking space, but you're not sure you can squeeze your car into it. Not to worry: Just pull up to the space, take your hands off the wheel and let the vehicle handle the rest. Sensors measure the distance to the curb and the space between other cars. Then the power steering system guides the car into the gap.

The technology of Germany's Robert Bosch GmbH will be available on some 2007 model year luxury cars (Toyota has brought out a similar system. *See story, p. 94*). A must-have feature? Probably not—or at least, not yet. Bosch is used to waiting for demand to develop. It was ahead of its time in 1978, when it introduced the world's first mass-produced antilock braking system,

on the Mercedes S-class. The technology was expensive back then. Automakers were slow to embrace it. Bosch lost money on the system for the first decade. Only in recent years have antilock brakes become common. But Bosch is now the leader in antilock brakes and supplies 30% of the 46 million global ABS systems installed in vehicles worldwide.



There are no maps to the sweet spot of the market. But we know a heck of a guide.

MidCap Spiders let you own the market's middle with just one trade.

You've built a portfolio with a solid blue chip foundation. Now you're considering more diversification and a different balance of upside potential and risk.

Meet the MidCap SPDR: A smart way to tap the potential of the sweet spot of the market. With every share, this exchange traded fund (ETF) represents the entire S&P MidCap 400, middle market companies that have matured to achieve \$1-4 billion in market cap. While mid-cap securities are subject to greater risk than large-caps, mid-cap companies are less volatile than companies in the often uncertain start-up phase.

MidCap SPDRs trade just like stocks throughout the trading day. So they're flexible enough to accommodate a range of investment strategies. And low fees make MidCap Spiders a cost-efficient way to invest. (Your usual brokerage commission applies.)

Want to learn more? Ask your advisor. And see if MidCap Spiders could be a sweet addition to your portfolio.

Over the last five years MidCap Spiders delivered a cumulative return of nearly 50%. Not bad for a middleweight.

And since inception, average annual total returns have been approximately 15%.

Average annual total return of MDY as of 12/30/05	One Year	Five Years	Ten Years	Since Inception
Based on NAV	13.99%	8.22%	14.21%	14.68%
Based on Market Price	14.22%	8.14%	14.19%	14.69%

Total returns are calculated quarterly using the daily 4:00 p.m. net asset value (NAV). Distributions, if any, are assumed to be reinvested back into the fund on the pay date at the NAV on that date. Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than quoted. The investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, are subject to market volatility. They may be worth more or less than their original cost. MDY shares are bought and sold at market price (not NAV) and are not individually redeemed from the fund. Brokerage commissions will reduce returns. To obtain most recent month-end performance, please call 1-800-THE AMEX or visit www.MidCapSPDR.com.

www.MidCapSPDR.com Ticker symbol Amex:MDY

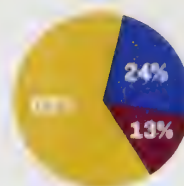


An investor should consider investment objectives, risks, charges and expenses of the investment company carefully before investing. To obtain a prospectus, which contains this and other information, go to www.MidCapSPDR.com or call 1-800-THE AMEX. Please read the prospectus carefully before investing. Past performance is no guarantee of future results. S&P MidCap 400® and MidCap SPDR® are trademarks of The McGraw-Hill Companies, Inc., licensed for use by PDR Services LLC and American Stock Exchange LLC. MidCap SPDRs are not sponsored, endorsed, sold or promoted by Standard & Poor's and S&P makes no representation regarding the advisability of investing in MidCap SPDRs. ©2005 American Stock Exchange LLC. ALPS Distributors, Inc., a registered broker-dealer, is distributor for the MidCap SPDR Trust, a unit investment trust.

America's Largest PRIVATE COMPANIES

The World of Bosch

Automotive
technology



Consumer goods and
building technology

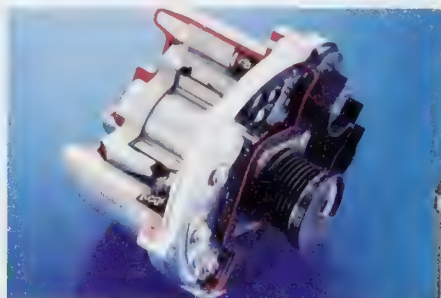
Industrial technology

63%

Automotive Technology

2004 sales: \$31.4 billion

Fuel injectors for gasoline and diesel engines. Antilock brakes, stability control, other safety systems. Starters, alternators, small power motors. **Blaupunkt radios**, car navigation systems.



24%

Consumer Goods and Building Technology

2004 sales: \$11.8 billion

Thermotechnology: heating and hot water systems. Household appliances: **washers, dryers, dishwashers, ranges** sold under the Bosch, Siemens, Gaggenau brands. Security systems: closed-circuit TVs, motion detectors, fire alarms. **Power drills**, sold under the Bosch, Skil and Dremel brands.

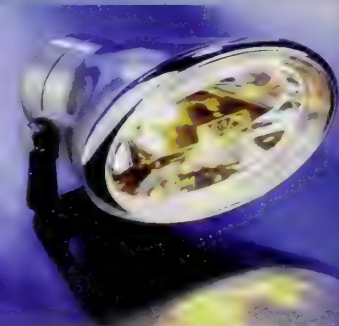
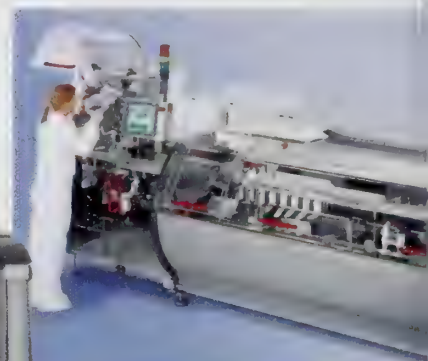


13%

Industrial Technology

2004 sales: \$6.5 billion

Factory automation and hydraulics. **Packaging machines** for candy, food and drugs. **Metal castings**.



That's the beauty of Bosch's unique status. Not only is it a private company, but also, since 1964, 92% of its stock has been held by an eponymous family charitable foundation, with the Bosch family owning the rest. The nonprofit has no voting rights; those rights belong to a trust run by nine people, only one of whom, Christof Bosch, the founder's grandson, has an equity interest in the company. This arrangement lets company executives take a long-term view free from the pressure to deliver immediate shareholder value. As founder Robert Bosch was fond of telling new employees early in the 20th century, "It is better to lose money than confidence."

In 1886 Bosch, then 25, started a

company to make magnetos—forerunners of today's alternators—for stationary internal combustion engines. He got into the auto parts business in 1902 when he introduced the first spark plug and first high-voltage ignition system. Today the company, headquartered in Gerlingen, near Stuttgart in southwestern Germany, is a global giant with worldwide revenue of \$49.7 billion, including \$7.8 billion in North America. It is the world's largest auto parts company. If it were based in the U.S., it would rank third on our list of America's Largest Private Companies (see p. 212).

In 2004 Bosch recorded a net profit of

\$2.1 billion. After paying a dividend of \$72 million to the foundation and another \$6 million to the family (Robert Bosch Jr., the founder's son, now deceased, and sister Eva

Madelung jointly rank 115 on our list of the world's richest people, with a net worth of \$4.6 billion), Bosch pumped the remaining 96% of its profits back into the company. In its core automotive technology business Bosch typically spends 9% of revenue on research and development versus an industry average of 4.7%.

Up to a point, the lavish R&D spending is a good defensive move for a car parts company. Producing mundane starters, motors and radiators is an invitation for

We bridge the gap between performance and energy savings for customers around the world.



A world leader in automation technologies, we engineer performance and energy savings into every product. Whether we're helping a factory run more efficiently or extending the life of a famous landmark, our goal is to enable increased productivity—at lower cost. Every day, our state-of-the-art generation control systems, motors and drives, instrumentation, and robotics help customers realize this goal and achieve competitive advantage. Over 100,000 power and automation professionals around the world. Over one million solutions delivered every day. Welcome to the world of ABB.

www.abb.us

© 2005 ABB Inc.

Power and productivity
for a better world™

ABB

America's Largest PRIVATE COMPANIES

an eventual trip to bankruptcy court. Better to be making a new gizmo that the competition can't produce.

The founder's guiding philosophy, however, assumes that profit margins on existing lines are rich enough to pay for the engineering on new products. Price demands from automakers, along with higher labor and raw materials costs, have put a squeeze on even the best manufacturers. Competitors that quickly copy Bosch's innovations, such as antilock brakes and diesel fuel injectors, often have a cost advantage. Car companies are reluctant to reimburse suppliers in full for their development costs. "Profitability in the automotive sector is not as brilliant as we would like," says Kurt W. Liedtke, chief executive of the company's North and South Ameri-

can operations. He won't give a figure but says that the profit margin in auto parts, which is 63% of the business, is below par for Bosch. Last year Bosch earned 6.4% before interest and taxes; its goal is 7%.

"Even if our money in the end goes to a charitable trust, we are not a charity," says Liedtke. "It's not that we only want to be the first with every technology on the market. We are also very much aware that we have to find solutions that are cost-competitive."

Either that or find some product lines outside the auto business. Chief Executive Franz Fehrenbach wants to reduce the reliance on auto components while increasing sales in its two other business units: consumer goods and building technology (currently 24%) and industrial technology (13%). To this end it has been buying nonautomotive businesses such as SIG Pack, a \$286 million (sales) Swiss manufacturer of food packaging equipment.

In the U.S. Bosch is known for dishwashers and ranges sold under the Bosch, Siemens, Thermador and Gaggenau brands, as well as Bosch Aquastar tankless gas water heaters. It also sells Bosch, Skil and Dremel power tools, among others. Less well known businesses include factory automation equipment, packaging machinery and building security systems.

If margins are shrinking in the automotive sector, wouldn't it be better just to exit that business rather than pour more money into R&D? "A very hard-nosed, capitalistic, stock-market-based company would at least think about this," concedes Liedtke. But automotive technology is Bosch's core business, he says. "We cannot turn away; we are responsible for the [auto industry's] future."

Nevertheless, in recent years Bosch has followed the Jack Welch philosophy of quitting businesses in which it wasn't one of the leading companies. It sold off its

**Owned by a charity, Bosch,
the world's largest auto parts
company, is "not a charity."**

automotive lighting operations as well as those that made telecommunications and medical equipment. Bosch hasn't closed plants in high-cost Germany, but it has added factories in eastern Europe and in countries with cheaper labor. Barely 46% of its employees are now in Germany, compared with 58% ten years ago.

Bosch is also striving for a better regional balance in revenue. Currently 68% of its sales occur in Europe, 18% in North and South America and 14% in Asia. Chief Executive Fehrenbach's goal is to boost sales in the Americas and Asia to 25% each, while reducing European sales to 50% of the total. Bosch has 80 plants in North America, including three auto engineering centers in the U.S.; its biggest U.S. factory is its Charleston, S.C. plant, which makes antilock brakes and fuel injection systems.

Bosch sees huge opportunities for growth in the U.S., especially for its clean diesel technology and its stability control systems. In the U.S. less than 3.5% of light vehicles are powered by modern diesel engines. In Europe 50% of new passenger vehicles are diesel-powered. The expansion of the U.S. diesel market is hampered by looming new emissions standards, but DaimlerChrysler, Volkswagen and other companies are bringing new diesel models to the U.S.

Bosch is a leader in fuel injection diesel systems, which boost performance while cutting fuel consumption by 25% of what gasoline engines use. The company has tried hard to spark interest in diesels in the U.S. by maintaining a fleet of demonstration cars that consumers, journalists and public policy officials can drive at special events. One of those demo cars is a retrofitted 1991 diesel-powered Chevrolet Corvette.

"They have a vested interest in trying to get that [diesel] discussion going," says Lindsay Brooke, senior editor with trade publication *Automotive Engineering International*. But Americans are not as more infatuated with hybrid gas-electric cars. So Bosch is hedging its bets, says Brooke, by stepping up development of hybrids, too, and forming a new research lab near its headquarters in Germany.

Stability control, an outgrowth of Bosch's antilock braking technology, stands a better chance in the U.S. It's currently installed in 12% of cars in North America. Bosch anticipates 30% of cars will have the feature by 2007. It has reason to be optimistic: A recent study by the Insurance Institute for Highway Safety found that if an electronic stability control system were installed in every vehicle in the U.S., fatalities in single-car crashes would be cut in half, or by 7,000 a year.

Bosch wants to go beyond making cars safer and cleaner to making drivers better—by helping them avoid accidents entirely. "The 'sensitive car' is on its way," Berni Bohr, chairman of Bosch's automotive group, announced at a technology briefing last June. Examples go beyond parking to include blind-spot detection, night vision (which Cadillac offered and dropped a few years ago but will be featured in the upcoming Mercedes E-class), lane-departure warning systems that will correct the car's path if it veers off the road or into oncoming traffic and a new generation of adaptive cruise control that not only keeps a safe distance behind the car ahead but also, unlike rival systems, can automatically bring the car to a full stop. All a long way from that spark plug of 1902 but in pursuit of the same philosophy.

The T. Rowe Price FlexChoice RolloverSM

Lets you choose how to make the most of your old 401(k).

Broad selection of funds — We have a wide range of over 60 no-load T. Rowe Price funds to choose from for your *FlexChoice Rollover IRA*. You can also choose from over 1,000 other funds from leading fund families.*

Low cost — T. Rowe Price offers 100% no-load funds with no sales charges or commissions. And our expenses are low—almost all our funds for individual investors have lower expenses than their Lipper averages.**

Proven performance — For each 1-, 5-, and 10-year period ended 9/30/05, over 65% of our funds beat their Lipper average.*** All T. Rowe Price funds are managed in-house by one of the most experienced and respected groups of fund managers in the industry. Results will vary for other periods. All funds are subject to market risk. *Past performance cannot guarantee future results.*

Rollover Specialists to help — Our Rollover Specialists are here to answer any questions you may have about rolling over with T. Rowe Price. If you want, they can help you select the right funds for your *FlexChoice Rollover IRA* based on your long-term goals and tolerance for risk. They can even help take care of the paperwork and open your IRA right over the phone. So call one of our Rollover Specialists today—it's easy to get started.

Request a prospectus or a briefier profile; each includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.

TROWEPRICE.COM/ROLLOVER

1-888-554-6446



*Non-T. Rowe Price mutual funds available through T. Rowe Price Brokerage, a division of T. Rowe Price Investment Services, Inc. Member NASD/SIPC. **129 of 130 funds (excluding institutional and bank institutional funds as defined by Lipper) more than six months old had expense ratios below their Lipper averages based on fiscal year-end data available as of 9/30/05. (Source for data: Lipper Inc.) ***Based on cumulative total return, 89 of 132, 71 of 90, and 43 of 61 T. Rowe Price funds (including all share classes and excluding funds used in insurance products) outperformed their Lipper average for the 1-, 5- and 10-year periods ended 9/30/05, respectively. Not all funds outperformed for all periods. (Source for data: Lipper Inc.) T. Rowe Price Investment Services, Inc., Distributor.

IRARFC072554

LET ENGINE COOL BEFORE KISSING.



CHRYSLER 300C. The inspiration: Zero compromises. The result: A powerful presence provides up to 20% improvement in fuel efficiency* > Five-Speed AutoStick® > Available all-v.

300C as shown, \$34,200 MSRP exclude tax. For more information about Chrysler Financial, ask your local dealer. *17 city/25 hwy EPA est. From 5% to 20% improvement, depending on driving habits. Chrysler and HEMI are registered trademarks of DaimlerChrysler Corporation.

CHRYSLER



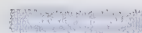
INSPIRATION COMES STANDARD



s no apologies ▶ 5.7L HEMI® V8 with 340 hp ▶ 390 lb-ft of torque ▶ Multi-Displacement System
▶ Electronic Stability Program ▶ CHRYSLER.COM, 1.800.CHRYSLER ▶ 300 starting at \$24,200!

★★★★★
FIVE-STAR

HIGHEST GOVERNMENT
FRONT-IMPACT CRASH RATING



BUCKLE UP

Who Needs Sarbox?

Editors: Shlomo Reifman and Samantha N. Wong

Researchers: Fei Mei Chan, Jennifer Dooley, Andrew T. Gillies, Godwin Maidment, John Ray, Christopher Schmicker, Jody Yen, Raymond Yu. Programmer: Carl Subick

THOUGH LESS VISIBLE THAN THEIR PUBLICLY TRADED counterparts, private companies have plenty of clout in the U.S. economy. This year the 339 companies on our roster of closely held businesses sold a trillion dollars' worth of goods and services and employed 4 million people. Last year's count of privately held U.S. businesses with at least \$1 billion in revenue was only 305.

Apart from a little inflation, which could tip a borderline sales figure over the minimum, a growth factor for our list is the recent and immense popularity of private equity investing. The private equity players buy divisions or entire companies, fix them and run them, either flipping the properties or, in some cases, holding on to them for several years. Thus did SunGard Data Systems (number 55) and Metro-Goldwyn-Mayer (number 180) join this list in the last 12 months. By going private, a company can wash its hands of the paperwork-heavy Sarbanes-Oxley law.

We define as "private" a company that either has too few

shareholders to be required to file public financial statements or restricts its share ownership to a limited group, like employees. Some on our list have closely held stock but file financials with the Securities & Exchange Commission because of publicly traded debt. Example: Solo Cup.

We leave out companies that do not pay taxes (like Mohegan Sun Casino), real estate investment and management companies, cooperatives, mutuals, auto dealerships, companies with fewer than 100 employees and companies 50% or more owned by other private, public or foreign companies.

For businesses with both public and private subsidiaries, we count only those revenues attributable to the private operation. For example, our \$66.7 billion sales figure for Cargill, which is ranked first on our list, excludes the \$4.4 billion in revenues of its public subsidiary, the Mosaic Co., which sells crop nutrients and animal feed.

For more information on America's largest private companies and a free PDA download of this year's list, go to www.forbes.com/private.

RANK '05	RANK '04	COMPANY/ BUSINESS	HEADQUARTERS	REVENUES		EMPLOYEES
				2004 (\$MIL)	CHANGE (%)	
1	1	CARGILL /agricultural commodities, food	Minneapolis, MN	66,669	6.0	115,500
2	2	KOCH INDUSTRIES /chemicals, energy, tech	Wichita, KS	60,000e	20.0	30,000
3	3	MARS /candy, pet food, electronics	McLean, VA	19,100e	4.9	39,000
4	6	PRICEWATERHOUSECOOPERS /accounting	New York, NY	18,700e	17.6	122,000
5	4	PUBLIX SUPER MARKETS /supermarkets	Lakeland, FL	18,686	10.3	128,000
6	5	BECHTEL /engineering, construction	San Francisco, CA	17,378	6.4	40,000
7	7	ERNST & YOUNG /accounting	New York, NY	16,900 ¹	16.2	106,000
8	8	C&S WHOLESALE GROCERS /food	Keene, NH	15,200	12.6	15,000
9	14	SEMGROUP /oil, gas marketer	Tulsa, OK	12,574	50.9	453
10	9	MEIJER /merchandise, grocery stores in Midwest	Grand Rapids, MI	12,500e	5.0	65,000
11	10	HE BUTT GROCERY /grocery stores, food processor	San Antonio, TX	11,500 ¹	0	60,000
12	33	COX ENTERPRISES /newspapers, TV; car auctions	Atlanta, GA	11,162	149.5	74,800
13	■	TOYS "R" US /retail	Wayne, NJ	11,100	-1.9	97,000
14	13	FIDELITY INVESTMENTS /mutual funds	Boston, MA	10,470	13.5	36,500
15	11	SWIFT & CO /beef, pork	Greeley, CO	9,669	-2.1	20,700
16	16	ENTERPRISE RENT-A-CAR /auto rental	St Louis, MO	8,230	11.2	61,297
17	15	JM FAMILY ENTERPRISES /Toyota distributor	Deerfield Beach, FL	8,200	6.5	4,200
18	32	PLATINUM EQUITY /venture capital investments	Beverly Hills, CA	8,000 ¹	77.8	45,000
19	25	CAPITAL GROUP COS /mutual funds	Los Angeles, CA	7,770e	39.0	6,000

SEE FOOTNOTES ON PAGE 242.

FOR MORE INFORMATION, GO TO WWW.FORBES.COM/PRIVATE



The new industry standard x64 servers from Sun.
← Faster performance, lower power bills and less real estate equal increased CIO happiness →

Now you can run Solaris™ (our favorite), Windows and Linux on our industry standard x64 servers powered by AMD Opteron™ processors. If 56% power and cooling savings over Xeon¹ doesn't leave you grinning, your overhauled bottom line will. To learn more, visit sun.com/savepower.

solaris



share



Sun Microsystems, Inc. All rights reserved. AMD, the AMD Arrow logo, AMD Opteron, combinations thereof, are trademarks of Advanced Micro Devices, Inc. One Rack of Sun Fire X4100 Servers populated with Dual-Core AMD Opteron processors can take as much as 56% less power on average than the Intel Xeon MP under the same server configuration and provide a similar amount of CPU cores.

24 Hour Fitness

Mark S. Mastrov started with one gym in 1983 and now presides over a chain of 330, with sales of \$1 billion. Profits took a hit last year, but Forstmann Little & Co. couldn't resist acquiring the chain for \$1.6 billion in June.



RANK '05	RANK '04	COMPANY/ BUSINESS	HEADQUARTERS	REVENUES		EMPLOYEES
				2004 (\$MIL)	CHANGE (%)	
20	17	SAIC ^{2,3} /technology research	San Diego, CA	7,187 ^f	23.2	42,400
21	30	REYES HOLDINGS/beer, food distributor	Rosemont, IL	7,000 ^f	51.2	6,800
22	24	TENASKA ENERGY/power util, natural gas, energy	Omaha, NE	6,668	19.3	500
23	20	MENARD/home improvement stores	Eau Claire, WI	6,508 ^e	7.3	35,000
24	18	SC JOHNSON & SON/home cleaning, storage supplies	Racine, WI	6,500	0	12,000
25	19	ALTICOR/Amway products	Ada, MI	6,400	3.2	13,000
26	26	MARMON GROUP/manufacturing, service cos	Chicago, IL	6,336	14.0	22,000
27	22	ADVANCE PUBLICATIONS/newspapers, magazines, cable TV	New York, NY	6,276 ^e	6.6	31,111
28	23	MURDOCK HOLDING COMPANY ⁶ /vegetables, Dole fresh fruits	Los Angeles, CA	6,250	11.5	67,000
29	21	UNISOURCE WORLDWIDE/paper products, packaging	Norcross, GA	6,000	1.7	8,500
30	35	FLYING J/truck stops, convenience stores	Ogden, UT	5,906	37.4	13,000
31	27	SOUTHERN WINE & SPIRITS/wholesaler	Miami, FL	5,900	9.3	10,000
32	38	QUICKTRIP/convenience stores	Tulsa, OK	5,863	44.7	7,600
33	■	BOISE CASCADE/lumber, paper	Boise, ID	5,735 ^f	23.2	10,185
34	28	GIANT EAGLE/supermarkets	Pittsburgh, PA	5,401	4.0	25,042
35	39	TRANSAMMONIA/fertilizer, petrochem trader, distrib	New York, NY	5,341	34.6	296
36	46	GUARDIAN INDUSTRIES/float glass, auto glass, fiberglass	Auburn Hills, MI	5,000 ¹	40.4	19,000
37	45	GULF OIL/wholesaler	Chelsea, MA	5,000 ¹	38.9	350
38	31	HY-VEE/food and drug stores	West Des Moines, IA	4,850 ¹	7.2	48,000
39	29	MBM/food distributor to restaurants	Rocky Mount, NC	4,800	1.2	3,500
40	34	ROUNDY'S/grocery stores, food wholesaler	Milwaukee, WI	4,777	9.0	21,855
41	36	HALLMARK CARDS/greeting cards; TV; art supplies	Kansas City, MO	4,159 ^e	1.6	17,649
42	191	HEXION SPECIALTY CHEMS ^{2,7} /forest products, resins, coatings	Columbus, OH	4,100 ⁵	185.7	7,000
43	41	GRAYBAR ELECTRIC/wholesaler	St Louis, MO	4,080	7.3	7,700
44	37	LEVI STRAUSS & CO/jeans, casual apparel	San Francisco, CA	4,072	-0.5	8,850
45	43	HEARST/publisher, broadcaster	New York, NY	4,038 ^e	8.5	16,667
46	40	GULF STATES TOYOTA/Toyota distributor	Houston, TX	4,000 ^e	4.3	3,500
47	64	SINCLAIR OIL/oil refineries, gas stations; resorts	Salt Lake City, UT	3,950 ^e	36.2	7,000
48	■	NEIMAN MARCUS GROUP/luxury department stores	Dallas, TX	3,822	8.4	16,100
49	48	GORDON FOOD SERVICE/wholesaler, retailer	Grand Rapids, MI	3,625	5.1	6,700
50	53	BLOOMBERG/financial data, news	New York, NY	3,610 ^e	11.1	8,200

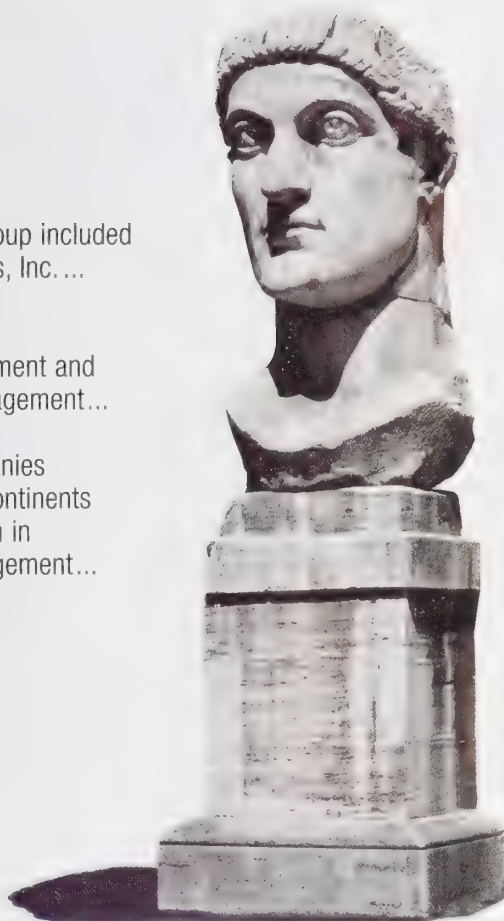
SEE FOOTNOTES ON PAGE 242.

FOR MORE INFORMATION, GO TO WWW.FORBES.COM/PRIVATE

If you knew
MassMutual Financial Group included
OppenheimerFunds, Inc. ...

As well as
Baring Asset Management and
Babson Capital Management...

Giving our companies
a presence on four continents
and \$370 billion in
assets under management...



fully consider a fund's investment objectives, risks, charges & expenses before investing. Ask your registered representative
prospectus containing this & other fund information. Read it carefully before investing. Securities provided here are sold through
Investors Services, Inc., a MassMutual subsidiary member firm, and OppenheimerFunds Distributor, Inc., an affiliate of MassMutual. To request prospectus from
OppenheimerFunds Distributor, Inc., call 800-621-7010. Assets under management are as of 06/30/11, and include assets and certain external investments owned by
Mutual and its subsidiaries. C: 73411

America's Largest PRIVATE COMPANIES

AMC Entertainment

AMC theaters light up 3,475 movie screens in seven countries. In June the 85-year-old firm announced plans to merge with Loews Cineplex Entertainment, also private. If the deal goes through, the combined entity will move it closer in number of screens to first place Regal Entertainment, which is publicly traded.



RANK '05	RANK '04	COMPANY/ BUSINESS	HEADQUARTERS	REVENUES		EMPLOYEES
				2004 (\$MIL)	CHANGE (%)	
51	69	ALLEGIS GROUP/tech staffing services	Hanover, MD	3,600	30.9	6,000
52	79	COLONIAL GROUP/oil, gas wholesaler, retailer	Savannah, GA	3,600	38.1	1,000
53	54	KOHLER/plumbing fixtures, generators	Kohler, WI	3,600e	12.5	28,000
54	52	WEGMANS FOOD MARKETS/supermarkets	Rochester, NY	3,600	9.1	34,764
55	■	SUNGARD DATA SYSTEMS/software, IT services	Wayne, PA	3,556	20.3	13,000
56	62	KINRAY/drug, health supplies distributor	Whitestone, NY	3,510	20.6	1,000
57	55	OSI GROUP/meat	Aurora, IL	3,500e	9.4	19,000
58	78	84 LUMBER/home improvement stores	Eighty Four, PA	3,452	36.0	7,926
59	190	BATTELLE MEMORIAL INSTITUTE/technology development	Columbus, OH	3,400 ¹	17.2	18,000
60	47	MERVYNS/department stores	Hayward, CA	3,400e	-4.3	23,000
61	50	MILLIKEN & CO/textiles, chemicals	Spartanburg, SC	3,397e	0.2	12,000
62	44	SCHWAN FOOD/frozen pizza, ice cream	Marshall, MN	3,385	2.8	22,000
63	51	PETER KIEWIT SONS'/heavy construction; mining	Omaha, NE	3,352	-0.7	14,000
64	58	HT HACKNEY/food, bottled water, oil distributor	Knoxville, TN	3,350	8.1	3,600
65	67	RACETRAC PETROLEUM/convenience stores	Smyrna, GA	3,310e	19.5	4,769
66	72	BOOZ ALLEN HAMILTON/consulting	McLean, VA	3,300	22.2	16,600
67	56	RALEY'S/food and drug stores	West Sacramento, CA	3,300e	3.1	16,500
68	42	STATER BROS MARKETS/supermarkets in southern California	Colton, CA	3,250 ¹	-12.3	16,500
69	57	EBY-BROWN/distributes candy to convenience stores	Naperville, IL	3,200 ¹	3.2	2,300
70	63	SCHNEIDER NATIONAL/trucking; third-party logistics	Green Bay, WI	3,198	10.1	21,900
71	61	JOHNSON DIVERSEY/cleaning, sanitation products	Sturtevant, WI	3,169	7.5	12,000
72	60	MCKINSEY & CO/consulting	New York, NY	3,150e	5.0	12,100
73	66	PERDUE FARMS/poultry	Salisbury, MD	3,100e	10.7	19,800
74	59	JR SIMPLOT/potatoes, vegetables, meat; fertilizer	Boise, ID	3,100	0	10,200
75	74	WAWA/convenience stores	Wawa, PA	3,083	14.6	15,500
76	75	JF SHEA/home builder, general contractor	Walnut, CA	3,079	18.6	2,668
77	■	VWR INTERNATIONAL/scientific product distributor	West Chester, PA	3,005	7.6	6,000
78	111	CUMBERLAND FARMS/convenience stores	Canton, MA	3,000 ¹	46.3	7,000
79	120	INTERTECH GROUP/polymers, composites	North Charleston, SC	3,000e ⁵	50.0	14,200
80	70	KEYSTONE FOODS/beef, poultry for food service ind	W Conshohocken, PA	3,000e	9.1	7,800
81	102	SPRINGS INDUSTRIES/home furnishings	Fort Mill, SC	3,000	NA	14,000

SEE FOOTNOTES ON PAGE 242.

FOR MORE INFORMATION, GO TO WWW.FORBES.COM/PRIVATE

A surreal scene featuring classical statues in a museum-like setting. A large, realistic-looking bust of a man with a laurel wreath stands on a pedestal. To its left is a large, abstract, white, rounded sculpture. To its right is a large, realistic-looking hand sculpture pointing upwards. A small, modern person in a blue shirt and dark pants stands in the foreground, looking up at the statues. The background is a dark, textured wall with a small, rectangular, framed picture hanging on it. The lighting is dramatic, with strong highlights and shadows.

Would you look at us in the same way?

The right perspective changes everything.



You can't predict. You can prepare.®

massmutual.com

Retirement Services/401(k) Plans • Life Insurance • Disability Income Insurance • Annuities • Long-Term Care Insurance • Trust Services • Income Products • Investments

Securities products and services offered through MML Investors Services, Inc., a MassMutual subsidiary, member SIPC and OppenheimerFunds Distributor, Inc., an affiliate of MassMutual. Insurance, annuities and retirement products offered by MassMutual and its affiliates C.M. Life Insurance Company and MML Bay State Life Insurance Company, 40 Garden Street, Hartford, CT 06154. Trust Services offered through The MassMutual Trust Co., FSB. ©2005 Massachusetts Mutual Life Insurance Company (MassMutual), Springfield, MA 01111. MassMutual Financial Group is a marketing designation (or fleet name) for MassMutual and its affiliates. C: 73411

TELMEX

INTERNATIONAL NETWORK

KEEPING YOUR CONNECTION SHARP

By Marie Michael

FAST AND RELIABLE COMMUNICATIONS ARE ESSENTIAL TO STAYING COMPETITIVE IN TODAY'S GLOBAL BUSINESS ENVIRONMENT. IN THIS TAKE-NO-PRISONERS WORLD, NO BUSINESS CAN AFFORD TO RELY ON A PIECEMEAL STRATEGY TO ENSURE SPEED, EFFICIENCY AND COST EFFECTIVENESS. INSTEAD, SMART BUSINESSES ARE REDESIGNING THEIR COMMUNICATIONS PLATFORMS TO SEAMLESSLY INTEGRATE VOICE AND DATA TRANSMISSION, VIDEO CAPABILITIES AND INTERNET ACCESS.

To give companies the infrastructure they need to be competitive, Latin America's leading telecommunications company, Telmex, has built a 100% digital network with the widest reach in the Western Hemisphere. This ambitious initiative has been grounded by strategic partnerships and investments that have added to Telmex's menu of innovative products and services while broadening its international footprint.

Telmex began to expand in Latin America in 1997 by buying significant stakes in the region's leading telecommunications providers and establishing strategic partnerships around the region and the globe. Since then, it has made long-term investments in upgrading those assets and in developing innovative products and services. In February 2004, Telmex bought the assets of AT&T Latin America, which include operations in Argentina, Brazil, Chile, Colombia, Peru, Uruguay and the United States. Since then, Telmex has acquired Chilesat and the Argentine firms Tectel and Metrored. As part of its strategy of integrating service delivery in Brazil, it is integrating Net Serviços de Comunicação SA, Brazil's largest cable TV operator, with the operations of

Telmex subsidiary Embratel, the country's biggest long distance provider. Telmex has invested billions of dollars to link the parts of this network through a massive modernization and harmonization process, which will be completed in early 2006.

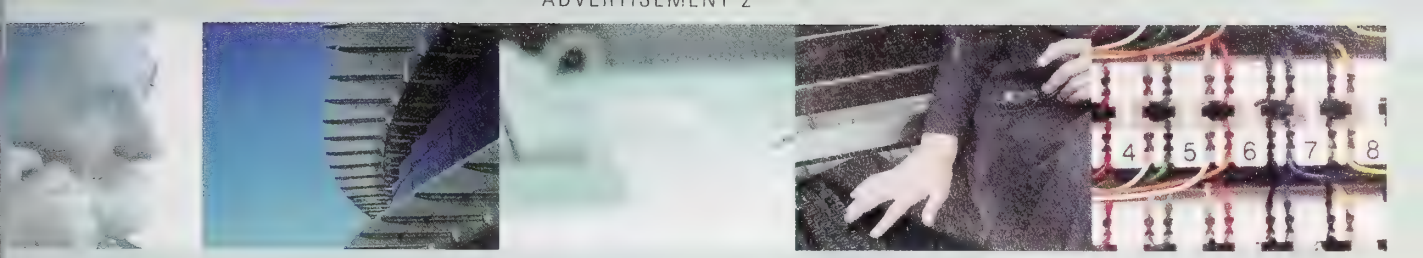
EXCEPTIONAL SERVICES

Telmex's IP protocol-based network enables efficient, secure, scalable communications capabilities, which a knowledgeable, dedicated service team can help tailor to the needs of companies from the smallest start-up, to a growing medium-sized business, to a regional market leader, to the largest multinational corporations reaching across borders and continents.

As communications technologies become more complex, many companies are contracting their telecommunications management to experts. This saves time and money and allows businesses to take full advantage of what today's technologies have to offer in speed, efficiency and power.

Telmex's managed network services give companies the edge in developing the most cost-effective solutions through a combination of tools for developing internal





works and for connecting to the world through its extensive digital network:

- Experienced professionals to help companies determine their communications technology needs and develop strategies to meet them
- The flexibility of a single physical connection to provide all kinds of telecommunications services
- Scalable, easily accessible and implementable solutions

These services are implemented via the best infrastructure in the hemisphere, and offer multinational companies the benefit of being able to develop communications strategies that work across their Latin American and U.S. operations.

EXTENSIVE COVERAGE

Telmex International Network's more than 80,000 kilometers of fiber-optic connections provide the most extensive coverage in the hemisphere — from Los Cabos to Cozumel in Mexico, across Latin America, linking seamlessly to the United States and the rest of the world. In Argentina, Telmex has installed more than 4,000 kilometers of fiber-optic cable, which provide coverage among the main



cities. Brazil's more than 70,000 kilometers of cable create a vast network among major cities, from Rio Porto Alegre to Rio de Janeiro to Belo Horizonte to Brasilia. Extensive satellite and transmission networks afford Telmex complete national coverage in Chile, Colombia and Peru.

The network's "backbone" reaches through Argentina, Brazil, Chile, Colombia, Mexico and Peru, creating solid connections across the region that ensure the most reliable transmission system possible:

- Bandwidths to fit all kinds of business specifications, backed up by technical support and implementation plans
- Security features, including state-of-the-art antihacking protection, to ensure that your communications remain safe and private
- Personal attention from a committed sales team and specialized advisors who tailor solutions specifically to the needs of your business
- Reliable network access, constantly monitored by the Network Operation Center, 24 hours a day, 365 days a year

Not only does the Network Operation Center constantly track the performance of Telmex's own network, but it also has the capability to remotely monitor integrity of a company's onsite internal network connections and discover any possible problems even before clients notice them. In-country help desks provide round-the-clock support.

COMMITMENT TO CLIENTS

Telmex's lasting commitment to its customers earned it *Forbes'* recognition as the world's best telecommunications company in 2001 and landed it on the *Forbes* 400 "A list" in 2002.

Today, as always, Telmex continues to offer the most innovative services and products in the market with global coverage to design telecommunications platforms that respond to the ever-changing demands of the business world. Its dedicated approach to creating state-of-the-art infrastructure and innovation creates value for its investors and clients alike.

Bass Pro

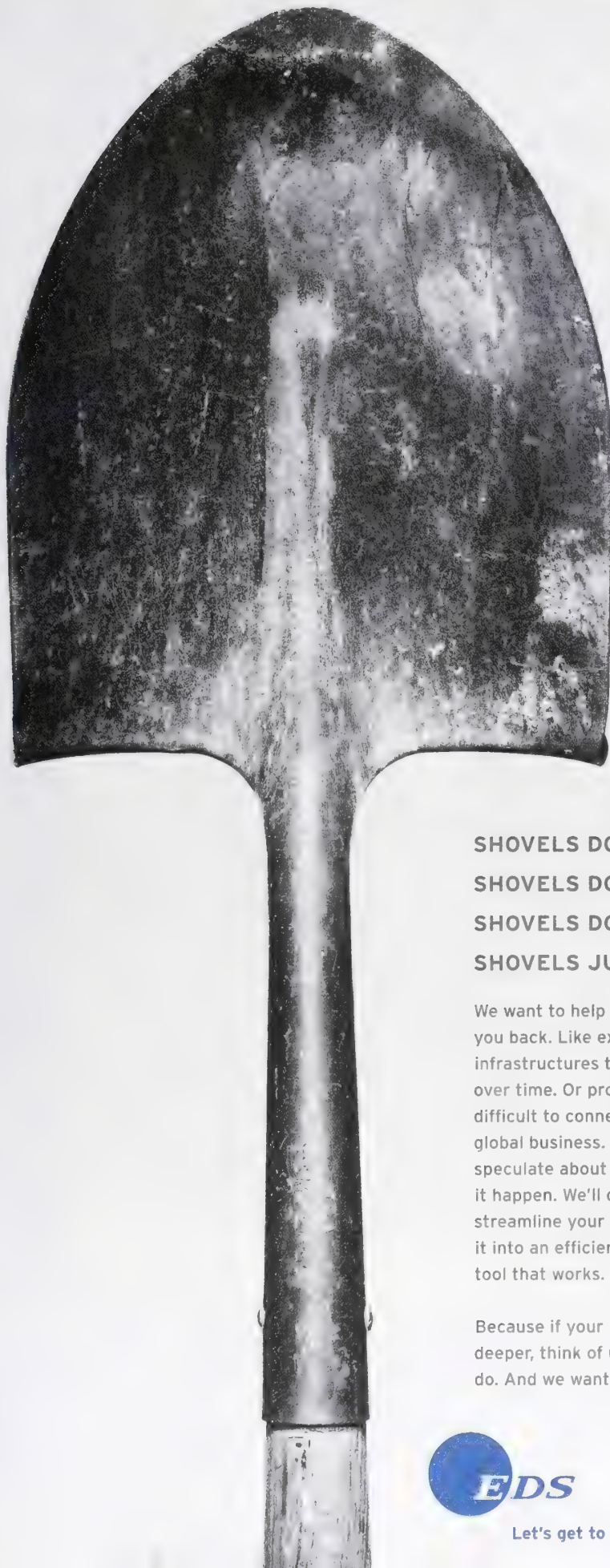
With only 12 stores in 2000, sporting goods retailer Bass Pro has now expanded to 31, including its first international location, in Toronto. Over the next 24 months 18 outlets are slated to open. Bass Pro's flagship store, a 300,000-square-foot giant in Springfield, Mo., is the top tourist attraction in the state.



RANK '05	RANK '04	COMPANY/ BUSINESS	HEADQUARTERS	REVENUES		EMPLOYEES
				2004 (\$MIL)	CHANGE (%)	
82	110	CARLSON COS/restaurants, hotels, cruises	Minnetonka, MN	2,900e	41.5	35,000
83	77	EDWARD JONES/securities brokerage	St Louis, MO	2,891	13.9	31,291
84	91	GLAZER'S WHOLESALE DRUG/wine, spirits distributor	Dallas, TX	2,800	27.3	5,800
85	73	CLARK ENTERPRISES/construction	Bethesda, MD	2,796	3.6	3,200
86	124	LANOGA/lumber stores in Midwest, West	Redmond, WA	2,750	40.9	9,286
87	87	SHEETZ/convenience stores	Altoona, PA	2,730 ¹	18.7	10,360
88	103	CH2M HILL COS/construction, building mgmt	Englewood, CO	2,715	26.0	14,000
89	■	GLOBAL HYATT/Hyatt, AmeriSuite hotels	Chicago, IL	2,700	NA	71,000
90	76	GOLUB/Price Chopper supermarkets	Schenectady, NY	2,700	6.3	22,000
91	95	SCHREIBER FOODS/packaged cheese; frozen entrees	Green Bay, WI	2,700e	22.7	4,500
92	115	ERGON/petroleum refining; electronics	Jackson, MS	2,680e	32.3	2,300
93	83	INTERNATIONAL DATA GROUP/computer mags; mkt research	Boston, MA	2,680	8.9	13,640
94	100	TRAVELCENTERS OF AMERICA/truck stops	Westlake, OH	2,678	23.1	11,510
95	82	VISTAR/distributes food to restaurants	Centennial, CO	2,650	6.0	3,300
96	134	WHITING-TURNER CONTRACTING/commercial construction	Baltimore, MD	2,624	39.9	1,600
97	84	CONSOLIDATED ELEC DISTRIBUTORS/wholesaler	Westlake Village, CA	2,600e	11.1	5,200
98	80	LEPRINO FOODS/mozzarella	Denver, CO	2,600e	4.0	3,350
99	108	GILBANE/commercial construction	Providence, RI	2,580	22.9	1,757
100	89	HUNT CONSOLIDATED/HUNT OIL/oil, gas; Hyatt hotels	Dallas, TX	2,530e	12.4	3,300
101	118	AECOM/construction; consulting	Los Angeles, CA	2,500	25.0	22,000
102	85	ALEX LEE/food wholesaler, supermarkets	Hickory, NC	2,500	7.8	10,300
103	104	ANDERSEN/windows, doors	Bayport, MN	2,500 ¹	NA	8,500
104	112	GRANT THORNTON INTERNATIONAL/accounting	Chicago, IL	2,500e	19.5	21,000
105	185	HEICO COS/industrial machinery, heavy equip	Chicago, IL	2,500 ²	70.1	11,000
106	140	KINGSTON TECHNOLOGY/memory modules, cards	Fountain Valley, CA	2,500	38.9	2,400
107	97	SAVE MART SUPERMARKETS/supermarkets	Modesto, CA	2,500	13.9	10,500
108	96	SERVICES GROUP OF AMERICA/food wholesaler; beef	Seattle, WA	2,500	13.6	4,000
109	88	BELK/departments stores	Charlotte, NC	2,447	8.0	17,900
110	90	CONTIGROUP COS/poultry, pork; milling	New York, NY	2,400	9.1	14,200
111	119	E&J GALLO WINERY/wine	Modesto, CA	2,400e	20.0	4,400
112	137	JM HUBER/engineered wood; chemicals	Edison, NJ	2,400 ¹	33.0	5,000

SEE FOOTNOTES ON PAGE 242.

FOR MORE INFORMATION, GO TO WWW.FORBES.COM/PRIVATE



**SHOVELS DON'T HOPE.
SHOVELS DON'T WISH.
SHOVELS DON'T TRY.
SHOVELS JUST DIG.**

We want to help you fix a problem that's holding you back. Like expensive, rigid, and unwieldy infrastructures that have been built piecemeal over time. Or processes that make it ridiculously difficult to connect the parts of your changing global business. And we don't mean we'll speculate about it. No. We mean we'll make it happen. We'll get to work to simplify and streamline your complex operation and turn it into an efficient, reliable, and cost effective tool that works.

Because if your business needs to dig a little deeper, think of us as your shovel. It's what we do. And we want to do it for you. www.eds.com



Let's get to work.

Key Safety Systems

Created from the 1999 Chapter 11 filing of Breed Technologies, this company is one of the largest suppliers of air bags, related sensors and other automotive parts. Now owned by Ewing Management Group, Key has factories in the U.S., Europe, Mexico and Asia.

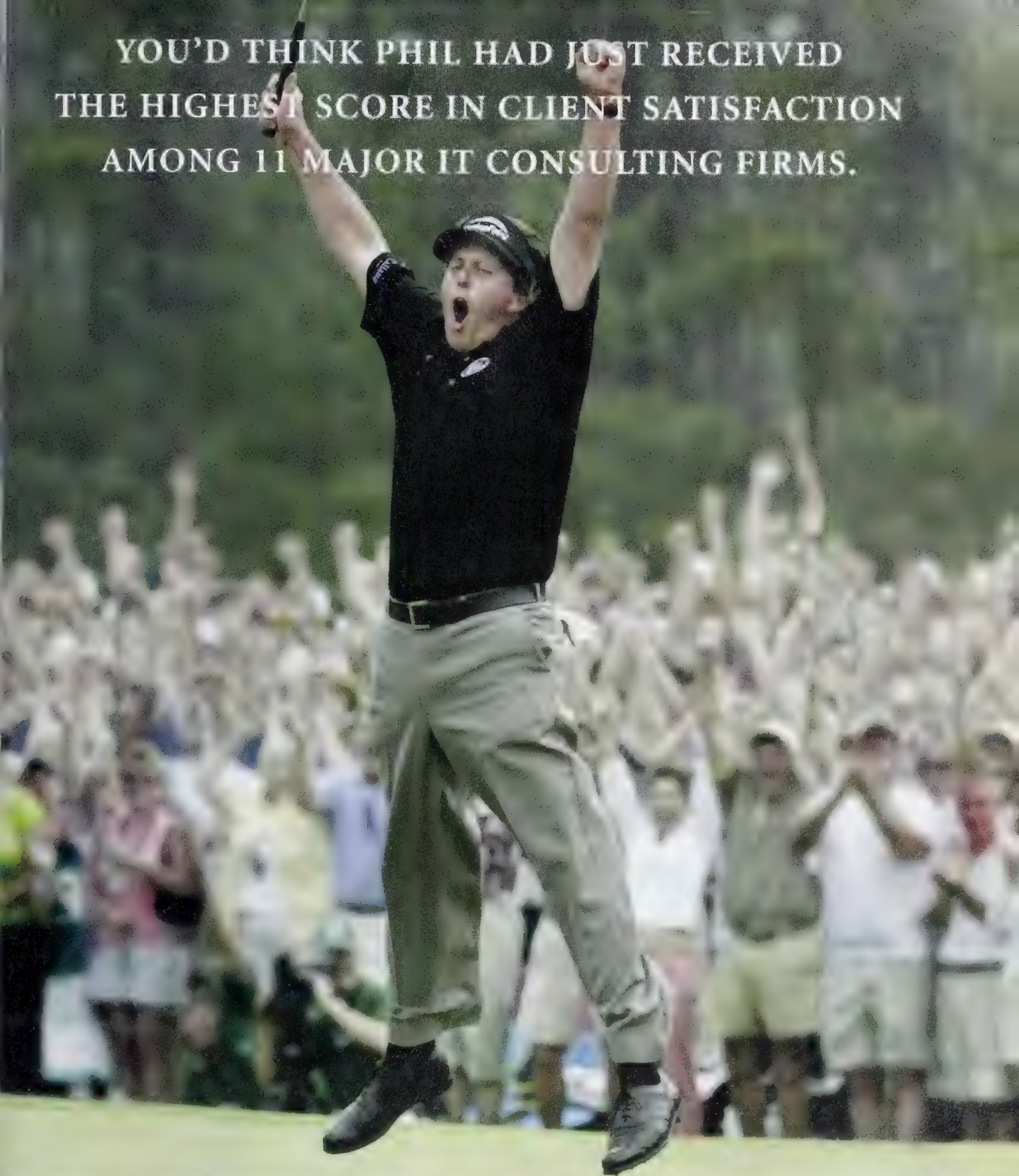


RANK '05	RANK '04	COMPANY/ BUSINESS	HEADQUARTERS	REVENUES		EMPLOYEES
				2004 (\$MIL)	CHANGE (%)	
113	86	QUALITY KING DISTRIBUTORS /drugs, personal care prods	Ronkonkoma, NY	2,400e	4.3	880
114	164	RED APPLE GROUP /oil refining; supermarkets, convenience stores	New York, NY	2,400e	50.0	5,800
115	■	TEXAS GENCO [®] /electric utility	Houston, TX	2,334 ^s	16.6	1,203
116	101	INGRAM INDUSTRIES /book distrib; marine transport	Nashville, TN	2,305e	6.5	5,767
117	93	HP HOOD /milk, juice, cheese, desserts	Chelsea, MA	2,300e	4.5	4,850
118	98	JELD-WEN /windows, doors	Klamath Falls, OR	2,300e	5.1	21,000
119	143	VANGUARD HEALTH SYSTEMS /acute-care hospitals	Nashville, TN	2,269	27.3	19,000
120	123	US ONCOLOGY /cancer treatment, research	Houston, TX	2,260 ^s	15.0	8,500
121	107	FRY'S ELECTRONICS /consumer electronics stores	San Jose, CA	2,250e	7.1	6,500
122	114	TISHMAN CONSTRUCTION [®] /construct, bldg mgmt	New York, NY	2,246	NA	800
123	■	GRAHAM PACKAGING HOLDINGS /plastic containers	York, PA	2,239 ^s	8.1	8,600
124	116	DEBRUCE GRAIN /grain, fertilizer	Kansas City, MO	2,218	9.9	450
125	132	LOVE'S TRAVEL STOPS /travel centers	Oklahoma City, OK	2,211	16.4	3,800
126	109	GOLDEN STATE FOODS /food processor, distributor	Irvine, CA	2,200	4.8	2,500
127	■	PETTERS GROUP WORLDWIDE /Polaroid, other consumer brands	Minnetonka, MN	2,200 ¹	91.0	3,200
128	122	SAMMONS ENTERPRISES /insurance; industrial equip	Dallas, TX	2,200	11.6	3,290
129	94	SCHNUCK MARKETS /Midwest supermarkets	St Louis, MO	2,200 ¹	0	16,000
130	183	SOUTHWIRE /heavy wire for elec transmission	Carrollton, GA	2,200	46.7	3,600
131	106	WINCO FOODS /supermarkets	Boise, ID	2,200e	2.9	8,000
132	117	HOUCHENS INDUSTRIES /supermarkets, convenience stores	Bowling Green, KY	2,180 ¹	8.7	10,787
133	129	RICH PRODUCTS /ingredients for bakeries	Buffalo, NY	2,180	14.1	6,900
134	■	NEWPAGE /coated, carbonless paper	Dayton, OH	2,176 ^s	9.4	6,100
135	113	QUINTILES TRANSNATIONAL /medical research services	Durham, NC	2,146	4.9	17,000
136	99	SOLO CUP /disposable containers	Highland Park, IL	2,116	-3.3	11,500
137	■	AFFINIA GROUP /auto parts	Ann Arbor, MI	2,106	3.0	12,400
138	125	DEMOULAS SUPER MARKETS /grocery stores	Tewksbury, MA	2,100	7.7	12,000
139	127	STRUCTURE TONE /general contractor	New York, NY	2,100 ¹	7.7	1,200
140	187	ROONEY HOLDINGS /construction; electronics; real estate	Naples, FL	2,095 ¹	43.8	3,985
141	144	HENSEL PHELPS CONSTRUCTION /commercial construction	Greeley, CO	2,088	18.2	2,500
142	135	ASPLUNDH TREE EXPERT /tree-trim services for utilities	Willow Grove, PA	2,083	13.3	28,638
143	171	AMSTED INDUSTRIES /railroad, industrial equip	Chicago, IL	2,072	32.8	9,852

SEE FOOTNOTES ON PAGE 242.

FOR MORE INFORMATION, GO TO WWW.FORBES.COM/PRIVATE

YOU'D THINK PHIL HAD JUST RECEIVED
THE HIGHEST SCORE IN CLIENT SATISFACTION
AMONG 11 MAJOR IT CONSULTING FIRMS.




BearingPoint
Global Management & Technology Consulting

Much like Phil, BearingPoint works hard not only to create, but also implement winning strategies. Our commitment to this philosophy is what sets us apart from the competition. And the market is taking notice. BearingPoint recently received the highest score in client satisfaction among 11 major IT service firms providing consulting and implementation services. Forrester Research, a leading technology research company, published the score in their annual independent survey, "IT Services Provider Scorecard," July 2005. Experience **BearingPoint.com**.

Foster Farms

In 1939 Max and Verda Foster borrowed \$1,000 against a life insurance policy to invest in an 80-acre farm in Modesto, Calif. Today third-generation descendant Ron Foster runs the largest poultry producer on the West Coast.



RANK '05	RANK '04	COMPANY/ BUSINESS	HEADQUARTERS	REVENUES		EMPLOYEES
				2004 (\$MIL)	CHANGE (%)	
144	160	BASS PRO/sporting goods stores	Springfield, MO	2,050e	27.3	11,300
145	142	ABC SUPPLY/roofing materials distributor	Beloit, WI	2,042	13.9	4,388
146	133	FOLLETT/college bookstores	River Grove, IL	2,023	6.5	7,700
147	178	METALDYNE/transportation equipment	Plymouth, MI	2,004	32.9	8,000
148	152	ASHLEY FURNITURE INDUSTRIES/furniture	Arcadia, WI	2,000e	19.0	11,000
149	138	BASHAS'/Bashas' supermarkets	Chandler, AZ	2,000 ¹	11.1	14,100
150	130	CENTRAL NATIONAL-GOTTESMAN/pulp, paper distributor	Purchase, NY	2,000	5.3	775
151	131	DR PEPPER/7 UP BOTTLING GROUP/soft-drink bottler	Dallas, TX	2,000e	5.3	8,800
152	145	GENERAL PARTS/Carquest parts stores; parts distributor	Raleigh, NC	2,000e	14.0	20,000
153	141	MARY KAY/cosmetics marketer	Addison, TX	2,000e	11.1	4,000
154	241	ROSEN'S DIVERSIFIED/meat; fertilizer	Fairmont, MN	2,000 ⁵	66.7	4,000
155	121	SCOLAR/grain trading, storing; feed; ingredients	Omaha, NE	2,000	0	480
156	136	UNIGROUP/United Van Lines, Mayflower	Fenton, MO	1,995	10.3	1,350
157	157	PARSONS/engineering, construction	Pasadena, CA	1,994	20.8	10,000
158	156	DRESSER ² /energy-related equip, services	Addison, TX	1,965e	18.6	8,900
159	128	BROOKSHIRE GROCERY/supermarkets	Tyler, TX	1,964e	1.0	12,000
160	147	WALSH GROUP/general contractor	Chicago, IL	1,950	13.0	4,000
161	170	DOT FOODS/wholesaler	Mount Sterling, IL	1,926	22.4	2,500
162	139	EBSCO INDUSTRIES/magazine subscription services	Birmingham, AL	1,900	5.6	5,000
163	163	MEDLINE INDUSTRIES/medical, surgical supplies	Mundelein, IL	1,900	18.8	4,200
164	146	SOFTWARE HOUSE INTL/computer, software vendor	Somerset, NJ	1,897	9.1	1,000
165	71	GROCERS SUPPLY/distributor	Houston, TX	1,878	-31.2	8,000
166	■	COOPER-STANDARD AUTOMOTIVE/auto parts	Novi, MI	1,864	12.2	14,500
167	159	SWINERTON/commercial construction	San Francisco, CA	1,844	14.0	1,450
168	169	WL GORE & ASSOCIATES/fabrics; medical products	Newark, DE	1,840	16.5	7,300
169	176	BEN E KEITH/food, Anheuser-Busch beer distributor	Fort Worth, TX	1,822	20.3	3,100
170	126	QUAD/GRAPHICS/catalog, magazine printer	Sussex, WI	1,811 ⁴	-7.1	11,500
171	■	AMC ENTERTAINMENT/movie theaters	Kansas City, MO	1,807 ⁵	1.3	15,600
172	148	BOSE/audio systems	Framingham, MA	1,800	5.9	8,000
173	167	LIFE CARE CENTERS OF AMERICA/nursing centers	Cleveland, TN	1,800	12.6	40,000
174	166	RENCO GROUP/mining, metals	New York, NY	1,780e	11.3	10,600

SEE FOOTNOTES ON PAGE 242.

FOR MORE INFORMATION, GO TO WWW.FORBES.COM/PRIVATE

Meetings To Remember

The World's Most Experienced CVB
Executives Can Help Turn Any Corporate Event
Into a Success — for Free.

By Curtis Rist



When arranging an event at a distant location, anyone would want to be able to draw on the services and support of a friend — which is exactly what the staff of Atlanta's Aflac Cancer Center did when organizing a field trip for young cancer patients.

Recently, the group headed to the Aflac High School All-American Baseball Classic in Lee County, Florida. To handle the logistics, Wendy Hogan of the Aflac Cancer Center made sure her first phone call was to the Lee County Visitor & Convention Bureau (known as the VCB) and spoke with Pamela Johnson, the director of sales. Johnson knew just what to do. With some phone calls of her own, she arranged for the VCB's volunteer corps — comprising about 100 senior citizens — to meet the group at the Southwest Florida International Airport and assist the children and their parents in deplaning and tracking their luggage.

"The VCB volunteers and staff made sure that the reception was a partylike atmosphere," says Johnson. She also arranged for Sun Harvest Citrus, a local company, to donate juices and treats for everyone as they awaited their luggage.

MEETINGS TO REMEMBER



"CVBs are dedicated to acting as a

liaison between the destination and the corporations, associations and other visitors who plan events there.

And the best part about it is that their services, by and large, cost nothing."

MICHAEL D. GEHRISCH

President & Chief Executive Officer
Destination Marketing Association International

The VCB further assisted by helping to book a local motor-coach company to transport everyone to the Sanibel Harbour Resort & Spa, where they were staying, and treated the children to activities such as a kayak trip and a tour of Sanibel Island. On the night of the baseball game, the VCB stationed volunteers around the stadium with buckets to accept donations to the Southwest Florida Children's Hospital. The staff was also available to offer any assistance to the families. Upon their departure, VCB volunteers and staff were again on hand to help with boarding. "Security screening made the little kids a bit apprehensive, as some had implants and other medically necessary equipment from their treatment," says Johnson. "But they were troopers." As a parting gesture, the entire trip was videotaped and highlights shown to the families as a remembrance of their children's time in Lee County.

Rather than being a random act of kindness, the services provided for free by the Lee County VCB are typical of those offered by a network of similar organizations across the country and around the world. Organized under the umbrella group called Destination Marketing Association International (*see sidebar, page 8*), the organizations "are dedicated to acting as a liaison between the destination and the corporations, associations and other visitors who plan events there," says Michael Gehrisch, president and chief executive officer of the Washington, D.C.-based association. "And the best part about it is that their services, by and large, cost nothing."

Long known to professional event planners, Convention and Visitors Bureaus (CVBs) nonetheless remain one of the best-kept secrets in the world of corporate meeting planning. Roughly half of them are government agencies, while the other half are private, nonprofit organizations charged with repre-

senting their destinations on behalf of the hotels, restaurants and other facilities within their areas. "We offer one-stop shopping to anyone planning an event, no matter who or what it says D. T. Minich, executive director of the Lee County VCB. "We have a single goal, which is to mine the services and resources that lie within our area so that every event — whether it be a trade association meeting for 5,000 people or a board meeting of five — can be a success. Our goal, whoever you might be, is to help you accomplish *your* goal."

Following are recent examples of ways in which CVBs, working largely for free, have helped corporations and associations achieve their goals.

CHICAGO, Illinois

In planning a major sales meeting in Chicago that would draw thousands of people from around the world, Toyota Corporation knew it wanted to do something grand. "They were very much interested in having spectacular and special events in different parts of the city," says Bill Utter, vice president of marketing for the Chicago Convention and Tourism Bureau (CCTB). Toyota wanted to utilize city landmarks such as the United Center, McCormick Place Convention Center and the new Millennium Park — complete with its dazzling display of sculpture and art, as well as the spectacular Fra-



Your biggest event of the year.

Your sales showed it.

Your kind of town.



CHICAGO

CONVENTION AND TOURISM BUREAU

Exhibitions, meetings - the world comes to Chicago.
Create your own success. Visit choosechicago.com.

ILLINOIS
MILE AFTER MAGNIFICENT MILE

MEETINGS TO REMEMBER



“Why work with a bureau? As any

meeting planner knows, bureaus are a neutral source of information that can steer them to the best options based on the needs of the event. Our job is to make sure corporate meeting planners know what's available in a destination, so they can make the decisions that further their corporate goals.”

Bill Utter

Vice President of Marketing
Chicago Convention & Tourism Bureau

Gehry-designed Jay Pritzker Pavilion, which has outdoor seating for more than 10,000 people. “Right there is the reason that a bureau such as ours needs to be involved in the planning,” says Utter. “We’re the only ones, in any city, who can help navigate all of the various channels and align everyone in a way that makes an event happen as it’s envisioned.”

The CCTB also provides valuable information through its “Choose Chicago” Web site (www.choosechicago.com) that eases the meeting-planning process by highlighting the activities available at any particular time. “If people want to see an



BEYOND KATRINA

Mississippi Gulf Coast CVB Plans for Revival

After Hurricane Katrina, things looked bleak for the Mississippi Gulf Coast Convention & Visitors Bureau. “There was nothing left of our offices but a concrete slab,” says Stephen B. Richer, executive director. “The building was completely destroyed.”

Despite the devastation, and with a spirit of hope, many of the CVBs in areas affected by Katrina and subsequent hurricanes are looking ahead — and taking an active role in the rebuilding they believe will make their destinations more appealing than ever to corporations and associations. In Mississippi, for instance, Governor Haley Barbour's newly formed Commission on Recovery, Rebuilding and Renewal has already begun to focus on what is being called the largest community planning effort undertaken thus far. The commission will help rally the private sector, work to secure funds and ensure the viability of a cohesive redevelopment plan. “We’ve got some great ideas to make this a better place in the long term, and we can practically start from scratch,” says Richer. “With the billions of dollars in investment coming here, we’re going to turn this into a first-tier destination, one that’s even better than before.” It is this kind of unshakable resolve, coupled with cooperation among area CVBs, that will hasten the recovery efforts and welcome back the people, businesses and organizations to rebuild local economies — and the meetings industry.



Stephen B. Richer,
Executive Director,
Mississippi Gulf Coast
Convention & Visitors Bureau

Meetings made easy.

Regroup with ease amid 23 miles of Blue Wave beaches and 300 miles of navigable waterways. Discover a top-rated international airport; 32,000 hotel rooms; and 3,500 restaurants. Explore the business amenities, meeting spaces and high-end food service within the newly expanded 600,000 sq. ft. state of the art Broward County Convention Center. Plus, enjoy the comprehensive "Sunsational Services" of our expert, award-winning staff.

Visit www.sunny.org/meetingplanners or call 800-356-1662
for your FREE Meeting Planners Guide today.

greater FORT LAUDERDALE



sunny.org

MEETINGS TO REMEMBER



"Corporate executives can rely on us

to reduce the work that their own staffs have to perform. We can find hotels, plan activities and help them connect to the heart and soul of a destination — and we can do this for them quickly, easily, effectively and economically."

Robert M. Lander

President & Chief Executive Officer
Austin Convention & Visitors Bureau

exhibit, for instance, the site will let them know where it's being held, and what the exact hours are," says Utter. The goal is to help create interest in the meeting itself by making the city more accessible. "If an attendee to a corporate event is excited about the meeting's location, they're more likely to make a commitment to go."

To further assist corporations, the CCTB has become proficient at organizing events quickly, often in six months or less. "Our job is to take something that could be stressful — specifically, planning a meeting on short notice — and make it bearable," says Utter. The CCTB provides top-level destination marketing elements and compiles information about hotel and meeting facilities availability and gives it to companies so they can make decisions quickly. "We're the liaison to the destination," says Utter. "We can help meeting planners focus on the possibilities that suit them best, without them having to sort through this mountain of information themselves."

AUSTIN, Texas

Despite months and sometimes even years of planning, the most organized events can go awry. Such was the case with the recent annual convention of the Solid Waste Association of North America (SWANA) that was scheduled in Austin for late September. The convention attracts 4,000 attendees and 220 exhibitors from corporations such as Caterpillar Inc., Crane Carrier, Ingersoll-Rand and Peterbilt Motors Company. Just three weeks before the convention was set to start move-in at the Austin Convention Center, city officials turned the facility into a makeshift shelter for some 4,200 evacuees of Hurricane Katrina.

Of the 13 events that had to be relocated or rescheduled because of the hurricane evacuees, the SWANA event was the

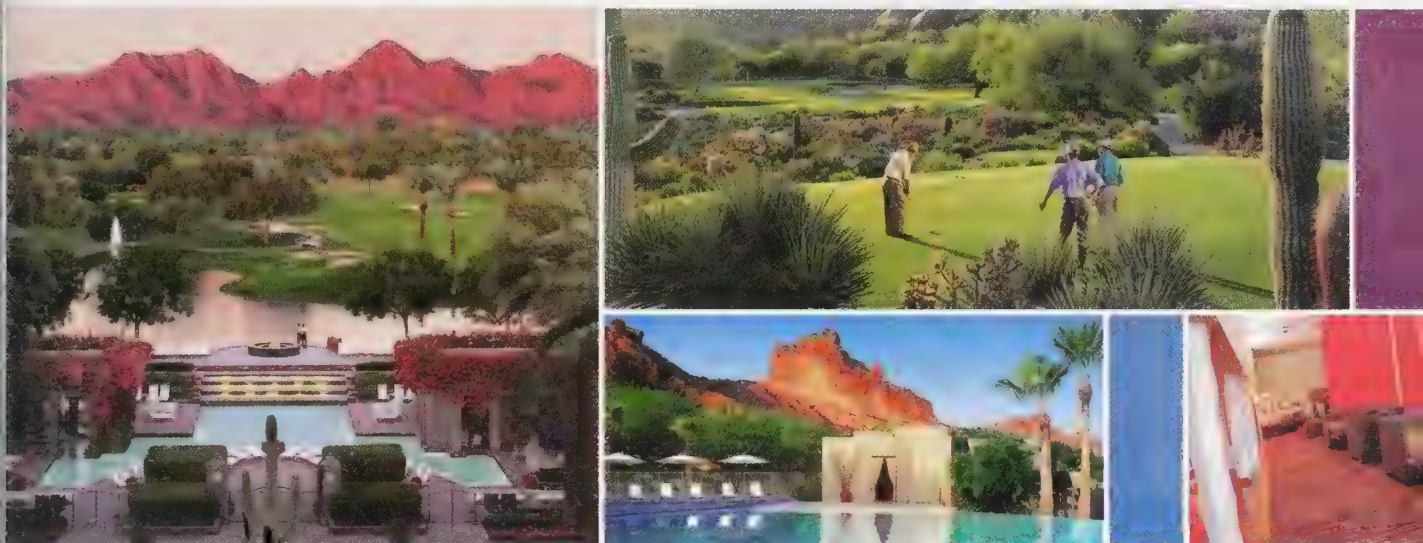
most crucial, due to its size and facility requirements. Some of the equipment to be displayed during the trade show was much as three stories tall. The Austin Convention & Visitors Bureau swiftly arranged for the association's president, meeting planner and two board members to fly into Austin. Working closely with convention center personnel, representatives from Freeman Decorating and the hotel community, Austin CVB reviewed all the available space in the city with SWANA. Members of the CVB's sales and services department, along with President and Chief Executive Officer Robert M. Lander, spent three days personally taking SWANA's representatives on a tour of alternative sites.

"Because the entire community wanted to retain this important piece of business, everyone was doing everything possible to quickly work through the challenges," says Linda Atkins, Austin CVB's director of convention services. "At this point, we had only two weeks before attendees and exhibitors were scheduled to arrive." In the end, city officials determined that all but a hundred evacuees would be relocated and reunited with family before the convention. The remaining people were grouped at the southern end of the building, and SWANA took over the

Continued on page



*The 3rd Annual Forbes Scottsdale Corporate Golf Invitational.
Both you and your golf game are cordially invited.*



Save the date. Plan for some fun.

The Scottsdale Convention & Visitors Bureau and its host partners welcome the nation's top executives to participate in a complimentary corporate golf invitational and live economic business session with Steve Forbes, April 9 – 11, 2006.

We invite you to experience Scottsdale and learn what this vibrant city has to offer for your company's next corporate meeting or incentive trip. The Forbes Scottsdale Corporate Golf Invitational is a fully hosted event. All costs associated with the airfare, accommodations, meals and golf invitational are paid by the Scottsdale CVB and its partners. To be considered for one of the limited number of playing spots in this invitation-only event, please register online at scottsdalecvb.com/forbes or call Dan Tavrytzky, Vice President of Sales and Services at 480-949-2173.




Scottsdale
Convention & Visitors Bureau®

Forbes®

APRIL 9 – 11, 2006 · 480-949-2173 · SCOTTSDALECVB.COM/FORBES



CVBs: YOUR FRIENDS IN THE MEETINGS INDUSTRY

With a history reaching back more than a century, convention & visitors bureaus can be found in every region of the country and around the world. The Washington, D.C.-based Destination Marketing Association International (DMAI) represents more than 500 such bureaus in 30 countries. "Whether you're planning a giant meeting in a convention city, or simply want to organize a five-person board meeting in the mountains of Colorado, there's a CVB nearby that can help," says William C. Peeper, president of the Orlando/Orange County Convention & Visitors Bureau. "Our mission is to be the best source of information about all that our destinations have to offer and to provide quality support services to the meeting planner."

While attending the DMAI convention in San Diego in August, members of the Convention & Visitors Bureau Advisory Board (pictured above), met at a breakfast roundtable to discuss the ways that CVBs can help corporations and associations plan events and guarantee a return on their investment. Highlights of their discussion follow.

■ **A CVB acts as a liaison to the destination.** "No one knows our areas better than we do," says Spurgeon Richardson, president and chief executive officer of the Atlanta CVB. "We provide one-stop shopping for anyone planning a meeting."

■ **A CVB can serve as an auxiliary staff, usually for free.** "In an age when travel departments have been downsized, we can help companies extend their resources," says Carole Ketterhagen, executive director of the St. Petersburg/Clearwater Area Convention & Visitors Bureau.

■ **A CVB guarantees rapid results.** "We assist people with the RFP, and can get them responses from convention facilities and hotels in as little as 24 hours," says Reint Reinders, president and chief executive officer of the San Diego CVB.

■ **A CVB usually charges nothing for the services it offers.** "This is the best-kept 'secret' in the meetings world," says Dennis Edwards, senior vice president of the Greater Fort Lauderdale CVB.

To find a member organization, visit the DMAI Web site, www.destinationmarketing.org. An online request for proposals will guide meeting planners through the process of selecting dates, determining the purpose of the meeting and setting the parameters for a budget.

"Our organization members are here to serve," says Michael D. Gehrisch, the organization's president and chief executive officer. "Your business is our business and your success becomes our success."

(**Top Row, L. to R.:**) William Peeper, President, Orlando/Orange County CVB; Brent DeRaad, Vice President of Marketing Administration, Scottsdale CVB; W. E. "Mac" McLaughlin, President & CEO, Palm Beach County CVB; Paul Astleford, President & CEO, Experience Columbus; Beth Stehley, Vice President of Convention Services & Sales, Greater Boston CVB; Reint Reinders, President & CEO, San Diego CVB (**Middle Row, L. to R.:**) Spurgeon Richardson, President & CEO, Atlanta CVB; Dennis Edwards, Senior Vice President, Greater Fort Lauderdale CVB; Stephen Richer, Executive Director, Mississippi Gulf Coast CVB; Phillip Jones, President & CEO, Dallas CVB; Bill Utter, Vice President of Marketing, Chicago CTB; Doug Nielson, President & CEO, VISIT Milwaukee (**Bottom Row, L. to R.:**) Robert Lander, President & CEO, Austin CVB; Michael Gunn, Vice President of Sales, Greater Birmingham CVB; D. T. Minich, Executive Director, Lee County VCB; Daniel Felton, President & CEO, San Jose CVB; Carole Ketterhagen, Executive Director, St. Petersburg/Clearwater Area CVB; Bob Bedell, President & CEO, Indianapolis CVA; Bobbie Patterson, Executive Director, Boise CVB

MEETINGS TO REMEMBER



“What we’re really doing is

providing a resource that allows a corporation or association to truly cut their costs in planning an event. We also help them increase their efficiency, and guarantee the highest level of service and success.”

Phillip Jones

President & Chief Executive Officer
Dallas Convention & Visitors Bureau

“Some planners don’t understand the structure of CVBs.

When they find out we are a private, not-for-profit entity and we’re there

to deliver services for them, that opens up the planning of a whole new experience.”

Beth Stehley

Vice President of Convention Services and Sales
Greater Boston Convention & Visitors Bureau

Continued from page 6

out 50% of the space it had originally planned to use in the center. Exhibitors were asked to consolidate into smaller booths, and most of the meetings were moved to the Hilton Austin Hotel, which is adjacent to the convention center, and to the nearby Radisson Hotel.

With the Austin CVB at the helm, the entire hospitality community came together to ensure the success of this convention, which had an estimated \$4 million economic impact. Austin CVB staff members remained on call 24 hours a day for three weeks to work through logistical details such as police making sudden street closures in front of the center during the convention and personally delivering checks to the hotels for registrant housing.

GREATER BOSTON, Massachusetts

In 2003, the American Association for the Study of Liver Diseases traveled to Boston’s Heinz Convention Center for its annual convention. “They had experienced some difficulties at other destinations, but we worked with them to make sure they were accommodated in every way,” says Beth Stehley, vice president of convention services and sales of the Greater Boston Convention & Visitors Bureau. This included hotel reservations for up to 17,000 people, as well as booking an array of conference rooms, sales rooms and overflow rooms for the days’ sessions. Planning the logistics “required the skill and determination of an air traffic controller,” says Stehley, but the CVB succeeded in superbly coordinating every element.

As a result, the association is planning to return to Boston several times in the coming years — and even asked the CVB to help the association arrange its room bookings for a subsequent convention in San Francisco. “Things worked so well in Boston that the meeting planners really viewed us as an extension of the client’s team,”

Thanks to our central location, it's easy to get to St. Louis. And once you're here, even easier to see why it's a great place for meetings. Exciting nightlife, diverse restaurants, culture and entertainment—plus more than 35,000 hotel rooms and a range of meeting space options—combine to make it the most exciting meeting destination around. In short, it's not just easy to get to.

It's hard to leave. www.MyNameIsStLouis.com 888-892-7641

HELLO
my name is
St. Louis

ST. LOUIS
CONVENTION & VISITORS BUREAU

MEETINGS TO REMEMBER



"CVBs provide one-stop shopping in terms of planning a meeting. With one phone call, you can save time and money. Besides being the only official agency serving meeting planners, we are also the most knowledgeable about the area. No one knows the local area like a CVB."

Dennis Edwards

Senior Vice President

Greater Fort Lauderdale Convention & Visitors Bureau

says Stehley, who was happy to oblige.

"That's exactly how we want to be seen, as part of a seamless operation that can serve an association or a corporation to the fullest."

DALLAS, Texas

When the American Heart Association arrived in Dallas for a convention recently, the greeting it received was palpable. Signs outside restaurants and atop taxicabs welcomed the delegates, and



there were even banners suspended from lampposts along city's broad avenues, making the association's presence unequivocal. "There was a whole citywide marketing program, just thank them for being in Dallas," says Tom Noonan, senior vice president of convention sales and services at the Dallas Convention & Visitors Bureau. "It was our way of saying, 'Welcome glad you're here, and will do anything we can to help.'"

Beyond simply making an association or corporation feel welcome, the Dallas CVB works to make the meetings run smoothly. This includes an electronic marketing tool, called the Digital Marketing Center, in which the CVB — for free — can take any digital, video or printed collateral, and create an invitation to the event that is then e-mailed to prospective participants. The invitation can include links to a registration bureau

BOSTON

★ AMERICA'S WALKING CITY ★

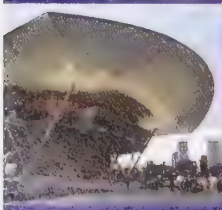


NEW Hotels: Fifteen hotels have opened since 2002, with seven more opening in 2006/2007.

NEW Convention Center: The 516,000 sq. ft. Boston Convention & Exhibition Center opened in June, 2004.

NEW Roadways: The "Big Dig" connecting the North and South parts of the city with the West and the airport is completely open!

NEW Airport: Logan International Airport has completed its renovation & expansion with new roadways, new walkways, and new terminals.



Greater Boston Convention & Visitors Bureau
gbvb@bostonUSA.com | 617.627.6262 | www.BostonUSA.com



Go ahead. Call Dallas an oil town.

Just don't forget the
sea salt, eucalyptus,
and red clay mud.

Whether you spend your days in a seaweed wrap, a sculpture garden,
or on the green of a world-class golf course, we're sure you'll
leave Dallas feeling refreshed. Maybe surprisingly so. Find out what
other surprises Dallas has to offer at www.visitdallas.com.

Dallas
LIVE LARGE. THINK BIG.

MEETINGS TO REMEMBER



“We’ll do as much
as a corporation

or association might want. We’ll help them with a budget and handle the RFP process. We’ll send volunteers to work the registration tables, set up entertainment for spouses and fulfill any other detail that might be important to our clients.”

D. T. Minich, CDME

Executive Director

Lee County Visitor & Convention Bureau

“Meeting planners continually tell us
they appreciate our attention to
detail. That is intentional and the way we do
business. Whether small
or large, all groups
receive extra-mile service.”

Bob Bedell

President &

Chief Executive Officer

Indianapolis Convention &

Visitors Association



housing, transportation and special events. Most important the CVB can track responses and specific page views from clients, which empowers them to follow up with meeting prospects in a strategic manner. “Through this e-marketing suite, we help build attendance by making things simple and creating excitement for the event,” says Noonan. “We become a marketing arm, and our motivation is clear: The more delegates or attendees you get to a meeting, the better for you, and the better for us.”

For large events, the CVB’s efforts are evident, but the CVB can also help make small groups plan efficiently and get the best prices. “We’re here to generate business for our community and hotels are eager to work with us,” says Noonan. “Oftentimes that means that people can create better deals for their events working through us, rather than going directly to the hotel.”

GREATER FORT LAUDERDALE, Florida

Although it was founded more than 30 years ago, the Cruise Line International Association had never held an annual convention — until this year, when it decided to host a trade show in Fort Lauderdale. “The association leaned on us for a lot of support, from finding venues for a convention and surrounding hotels to finding sponsors to help the organization promote the convention,” says Dennis Edwards, senior vice president of the Greater Fort Lauderdale Convention Visitors Bureau. “We assisted them in all those areas.”

In addition, the association wanted to sponsor a special night that attendees would remember. The CVB helped create a “Dine Around” program as an evening of entertainment for 1,200 people. “This involved transporting delegates to an eight-block restaurant district on Las Olas Boulevard,” says Edwards. The CVB prearranged with restaurants to accept \$30 meal vouchers that were given to the attendees, so they could choose where they wanted to eat. “The restaurants created menus specifically for the event, so there would be a wide selection of food to choose from in that price range,” says Edwards. In addition, the CVB arranged transportation to and from the area by bus as well as water taxi. “Something of this scale could never be planned by anyone from outside our area,” says Edwards. “That’s where a CVB excels, in bringing something like this to reality because of the relationships we’ve developed within the community.”



HAVE A MEETING HERE AND THE PHRASE,
"HOLD ALL CALLS" SEEMS KIND OF SILLY.

How far off are you willing to go for your next off site meeting? Believe it or not, places still exist with no electricity, running water or phones. Where the seas are inhabited by dolphins, manatees and loggerhead turtles and the skies are filled with exotic birds. Yet as amazing as this environment is, it's all within reach of world class hotels, resorts and meeting facilities and accessible by daily non-stop flights from 35 cities. So if you're looking for a unique place to hold your next event, look no further than The Beaches of Fort Myers & Sanibel. **Call 800-237-6444 or visit fortmyers-sanibel.com.**

the beaches of
FORT MYERS  **SANIBEL**

SIGNATURE MEETING PROPERTIES:

REGENCY COCONUT POINT RESORT & SPA
www.coconutpoint.hyatt.com

SANIBEL HARBOUR RESORT & SPA
www.sanibel-resort.com

SOUTH SEAS RESORT
www.southseas.com

SUNDIAL BEACH RESORT
www.sanibelcollection.com

MEETINGS TO REMEMBER



"CVBs today are the best advocates within their communities for corporate America. Whatever it is, we can get the job done. We know the people, the facilities, the hotels, the restaurants and the services. And we know them all personally. Connecting with us connects you with them."

W. E. "Mac" McLaughlin

President & Chief Executive Officer
Palm Beach County Convention & Visitors Bureau

"As a CVB, we connect meeting planners with the hotels and conference centers that we think can serve them best. We continue to work with them during the entire planning process, to make sure they're getting everything they need, as quickly and efficiently as possible."

Janis Schmees

Acting Executive Director
San Antonio Convention & Visitors Bureau



Indianapolis, the perfect meeting destination.

With convenient downtown and surrounding hotels, Indianapolis makes choosing your next meeting site easy.

You'll be amazed by our experienced sales staff. They handle every detail from start to finish.

INDIANAPOLIS
so easy to do so much

1-800-983-INDY • www.indy.org

INDIANAPOLIS, Indiana

Every year, Indianapolis successfully takes care of hundred small meetings and large conventions with a team of account executives focused on the details.

For example, the National FFA Organization — once known as the Future Farmers of America — holds a convention that attracts up to 50,000 members, most of them high school students, for five days' worth of education, motivation and professional networking. "It's quite a happening, and it is a mammoth undertaking in terms of organization," says Doug Bennett, vice president of sales at the Indianapolis Convention & Visitors Association (ICVA). Beginning next year, the convention will be held in Indianapolis, and will continue through 2013. The ICVA, with assistance from Purdue University, Dow AgroSciences and other local agribusinesses, has suggested programs from horticulture to meat cutting.

While planning and logistics for such an event — from program suggestions and promotion to facility preparations, housing and governmental services — is large-scale, Indianapolis delivers the same services to meetings of any size.

"Our Meetings Team at ICVA is pretty unique," exclaims Bennett, "with six sales executives fully devoted to groups planning sessions that may be attended by anywhere from 5 to 300 people." The team is available free of charge to provide information, send out fact sheets, leads, coordinate promotion and welcome groups to Indianapolis.



LEE COUNTY, Florida

Beaches of Fort Myers and Sanibel

Lee County was recently awarded the privilege of hosting the International Motor Coach Group (IG) annual convention. "Since Lee County staff had attended this event in the past, they wanted their opportunity to host this event to surpass all other convention sites," says Pamela Johnson, CDME, director of sales for Lee County Visitor & Convention Bureau.

VCB staff members and volunteers met convention attendees in person when they arrived at the airport, to make sure they had their luggage and to provide skycap assistance. The staff then directed attendees to the transportation area, where designated buses would take them to their resort, Sanibel Harbour Resort & Spa. As the attendees flew in at different times over a two-day period, logistics were coordinated with the VCB's airport staff and volunteers. Each attendee was given a welcome bag containing information and fruit donated by Sun Harvest Farms, as well as cold bottles of water. Each bus pulled out of the airport, a VCB volunteer gave the attendees a guided tour of the area and answered sightseeing and activity questions.

Additional volunteers and staff were on hand to handle travel challenges or questions the attendees might have as they departed the area. "Lee County went out of its way to design extracurricular activities that allowed the tour opera-

tors the opportunity to experience what their future clients would while in our area," says Johnson. "Extra effort went into providing convention attendees with ample opportunities to get out and see what our area had to offer." VCB staffers acted as tour guides, area chaperones, meet-and-greet representatives and even assisted the convention staff with attendee check-ins. Social functions were planned at area attractions, enabling potential

LET THERE BE BREAKFAST TACOS



We like to give the normal things in life a little twist, from having tacos for breakfast to hosting business meetings that don't feel like work at all. No wonder so many creative and determined minds (not to mention leading technology companies) call Austin home. Or at least the best place they get to visit.

www.austintexas.org • 800-926-2282 ext. 7215

Continental
Airlines

ADVANTAGE
RENT-A-CAR
"Rent a car."

Austin
LIVE MUSIC CAPITAL OF THE WORLD



clients to take full advantage of Lee County's assets as a tourism destination.

At the conclusion of the event, the staff of IM indicated that a new "benchmark" had been set, and that future conventions would be modeled after their experiences in Lee County.

PALM BEACH COUNTY, Florida

Dawn McGowan had her work cut out for her. As the president of Jade Management, a travel management company specializing in retail and restaurant openings as well as acquisitions, she needed to plan an event that would celebrate the merger of Eckerd Drugstore with CVS Pharmacy. She turned to the Palm Beach County Convention & Visitors Bureau for assistance. Working with Suzanne Masterson, a sales manager for the CVB, McGowan arrived in Palm Beach with less than two days to visit 25 hotels in the area for a site selection tour.

To prepare for the whirlwind visit, Masterson discussed the requirements prior to McGowan's arrival and called ea

YES, OUR MEETING SPACE IS EXPANSIVE AND BEAUTIFULLY DESIGNED.

THEN AGAIN, SO ARE OUR SPACES WITHOUT WALLS.



Now that the beautifully designed Palm Beach County Convention Center is open, it's an even better time to plan your meeting here. With 350,000 sq. ft. of upscale space outfitted with up-to-the-minute technology, attendees will be impressed and inspired. We're well-positioned near the airport, beaches, and restaurants. There are also over 160 gorgeous golf courses to choose from. Let *With Our Compliments* concierge program help you plan your event at no cost to you. Then experience what business—and pleasure—are like in Palm Beach County. Call 1.800.833.5733 or visit www.palmbeachfl.com/for to get started.

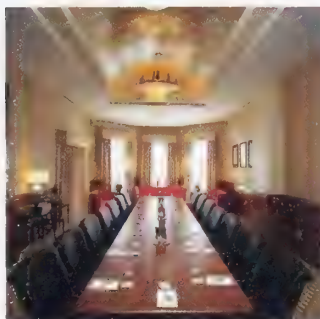


Palm Beach County Convention Center
THE BEST OF EVERYTHING FOR EVERY EVENT™

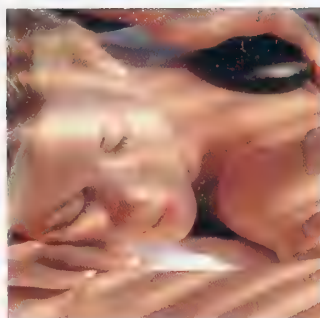
Even the Boss Loves an ORLANDO Meeting



Choose Orlando as your company's next meeting site and set your sights on success. Research shows that a productive meeting includes some fun, then what better way to increase production than to offer your attendees the opportunity to mix work and play... in Orlando.



Universal's Hard Rock Hotel



Windsong Palace Resort & Spa



Dunes N' Lago a Golf Course

Over 450 hotels offer 3 million square feet of meeting space. Our Convention Center provides another 9.1 million square feet of exhibit and meeting space. Orlando International Airport is ranked among the best in the world by "Condé Nast Traveler" magazine. Then there's Orlando's fun factor: after-meeting activities including surprising dining, 150 golf courses, dazzling shopping, relaxing spas, a great climate and warm hospitality.

As Orlando's official sales organization, the Orlando/Orange County Convention & Visitors Bureau pledges your personal sales executive will help identify hotels, off-site venues and destination services which meet your specifications and exceed your expectations. We'll accompany you on every step of your site visit and assist with all your meeting needs. Begin your experience by calling 800 662 2825.

ORLANDO

We Promise Great Meetings

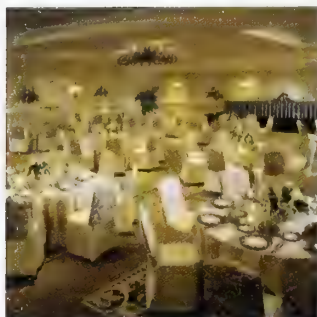
Orlando/Orange County Convention & Visitors Bureau, Inc.®

www.orlandoconvention.com | e-mail: karen.maureen@orlandocvb.com | 800 662 2825

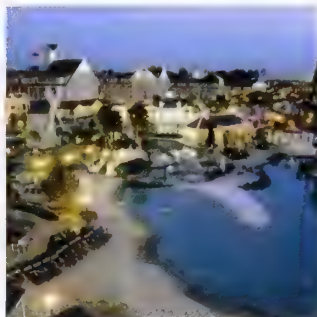
SPECIAL ADVERTISEMENT

Your Company Deserves a Great Meeting That's Orlando's Promise!

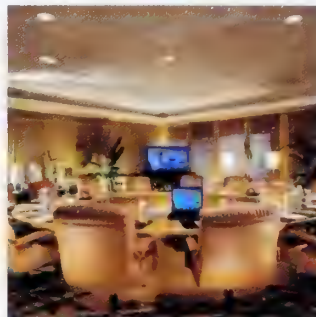
Contact the Orlando CVB to start planning your next meeting.
You'll experience superior service from Orlando's official sales organization.
We have direct contact with more than 1,500 businesses ready and waiting to serve you.
We welcome your inquiries. Please call 800 662 2825 or visit orlandoconvention.com.



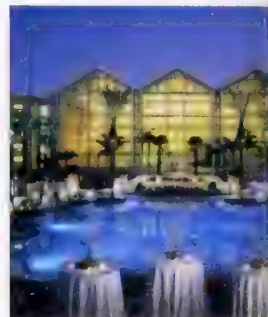
Wyndham Orlando Resort



Walt Disney Parks & Resorts



Peabody Orlando



Gaylord Palms Resort & Convention

Caribe Royale All-Suites Resort & Convention Center	www.cariberoyale.com	407-238-8000	Fax 407-238-
Cirque du Soleil	www.disneymeetings.com/lanouba	407-939-7812	Fax 407-566-
Downtown Disney Resort Area Hotels	www.DowntownDisneyHotels.com	407-261-5700	Fax 407-261-
Gaylord Palms Resort and Convention Center	www.gaylordhotels.com	407-586-MEET	Fax 407-586-
Grosvenor Resort in the Walt Disney World Resort	www.grosvenorresort.com	800-522-3272	Fax 407-827-
Hotel Royal Plaza in the Walt Disney World Resort	www.RoyalPlaza.com	800-339-4370	Fax 407-827-
Hyatt Regency Grand Cypress	www.hyattgrandcypress.com	407-239-1234	Fax 407-239-
Hyatt Regency Orlando International Airport	www.hyatt.com	407-825-1234	Fax 407-825-
Mission Inn Golf and Tennis Resort	www.missioninnresort.com	800-523-2289	Fax 352-324-
Omni Orlando Resort at ChampionsGate	www.omniorlandoresort.com	407-390-6664	Fax 407-390-
Orange County Convention Center	www.orlandoconvention.com	800-345-9845	Fax 407-685-
Orlando Marriott Downtown	www.orlandomarriott.com	407-843-6664	Fax 407-839-
Peabody Orlando	www.peabodyorlando.com	800-42-DUCKS	Fax 407-351-
Renaissance Orlando Resort at SeaWorld	www.renaissanceseaworld.com	800-327-6677	Fax 407-351-
Rosen Centre Hotel	www.rosencentre.com	800-800-9840	Fax 407-996-
Rosen Plaza Hotel	www.rosenplaza.com	800-366-9700	Fax 407-996-
Rosen Shingle Creek Golf Club	www.shinglecreekgolf.com	866-996-9933	Fax 407-996-
SeaWorld Orlando	www.seaworld.com	407-363-2200	Fax 407-363-
Sheraton Safari Hotel	www.sheratonsafari.com	800-645-7666	Fax 407-239-
Sheraton World Resort	www.sheratonworld.com	407-352-1100	Fax 407-352-
Shingle Creek Resort & Golf Club	www.shinglecreekresort.com	866-996-9939	Fax 407-996-
Universal Orlando	www.uomeetingsandevents.com	888-322-5533	Fax 407-224-
Walt Disney Parks & Resorts	www.disneymeetings.com/dx	321-939-7291	Fax 321-939-
Walt Disney World Swan & Dolphin	www.swandolphinmeetings.com	800-524-4939	Fax 407-934-
Wyndham Orlando Resort	www.wyndhamorlandoresort.com	407-351-2420	Fax 407-351-
Wyndham Palace Resort & Spa in the WDW Resort	www.wyndhampalaceresort.com	407-827-3364	Fax 407-827-

ORLANDO

Orlando/Orange County Convention & Visitors Bureau, Inc.®

6700 Forum Drive, Suite 100 | Orlando, FL 32821 | 800 662 2825 | e-mail: karen.maureen@orlandocvb.com

MEETINGS TO REMEMBER



"There is no such thing to us as a 'small' piece of business. We focus on giving individual attention to the groups that come here, no matter what their size."

Rachel Sacco

President & Chief Executive Officer
Scottsdale Convention & Visitors Bureau

tel that fit the needs of the companies. asterson then set up appointments that e strategically mapped throughout Palm ach County to make the most efficient e of time, and even arranged town car nsportation through a company called no Limo for the two-day site inspection. he Eckerd-CVS merger brought in more an 3,600 room nights throughout Palm ach County. "The CVB stood guard en after the deal was signed, however — d helped navigate the planning through t one but three separate hurricanes!" says asterson.

In addition, the CVB routinely helps oups of all sizes with needs such as:

- Greeting guests at the airport
- Arranging ground transportation and obtaining price quotes
- Scheduling and arranging off-site venue tours
- Researching and assisting with activities and gifts for spouses
- Researching and recommending entertainment options

AN ANTONIO, Texas

Because of its heritage and cultural eal, San Antonio ranks as one of the tion's thriving destinations for corporate eetings and retreats. The Alamo, built in 18, lies in the heart of the city, and the nnants of a series of Spanish missions can ll be found along the banks of the San antonio River. Another element that is acial to San Antonio's allure is the city's onvention & Visitors Bureau, which helps mpanies arrange site inspections and pedites the search process for hotels,

**CALL US ABOUT
SPECIAL RATES FOR 2007**

BREAKOUT ROOM
BOOK YOUR 2007 MEETING IN SAN ANTONIO
AND WE'LL BREAK OUT OUR INCENTIVES.

Contact us at (210) 207-6803 or sacmv@santoniomvill.com

sanantoniovisit.com

MEETINGS TO REMEMBER



“We pride ourselves on paying attention to all clients, large and small. All business matters to us, and we respond with careful individual attention on all levels.”

Carole Moody
President

St. Louis Convention & Visitors Commission

restaurants and other venues for meetings and events.

The CVB offers a list of services for associations as well as corporate events large and small, including:

- E-mail “blast services” for delegates
- Microsite services for delegates that can be tailored to individual groups
- Lead service to hotels
- Information to facilitate venue selection
- Formal presentations to boards or executive committees
- Site inspection arrangements
- Assistance in coordinating meeting and exhibit space in the Convention Center, the Alamodome and the Municipal

Auditorium and Conference Center

- Materials to qualifying meetings — including attendance builders, name badges, program shells, visitor guides and maps, tearaway maps and a housing service
- Registration by uniformed CVB personnel
- Press releases and images to promote meetings or help with conference programs.

SCOTTSDALE, Arizona

One of the strengths of the Scottsdale area is its vibrant Native American legacy, and the surprising ways that can be woven into corporate events. “It’s a theme that comes naturally to us and can add rich and meaningful dimensions to the meetings we plan, whether it be something as simple as tying in décor or inviting a Native American flautist or hoop dancer for flavorful entertainment, or offering an appropriate Native American blessing at the opening of an event,” says Rachel Sacco, president and chief executive officer of the Scottsdale Convention & Visitors Bureau. “Legacy is a big word with so much happening in our world, and the Native American themes can help create a moving experience for groups, which allows participants to reflect and go a bit deeper into their shared experiences.”

One example of such an event was a recent General Motors gathering that drew about 375 participants to the Scottsdale Plaza Resort. Lisa Kennedy and Dee Brackevell, meeting planners from Maritz Travel Company who work on the General Motors account, first contacted Courtney Hale, services manager for the Scottsdale CVB, to ask for restaurant coupons. Instead, Hale described what else the CVB could offer, and “they were overwhelmed with our services,” she says. “The Scottsdale program was a last-minute add-on, and they were scrambling to find hotel space. Lisa said she ‘wished she had known about us before’ they started the search.”

Continued on page 19



CORPORATE MEETING HOT SPOTS

LEE COUNTY, FLORIDA THE BEACHES OF FORT MYERS & SANIBEL

Welcome to a tropical island getaway on southwest Florida's gulf. The Beaches of Fort Myers and Sanibel have all the essentials for a successful business meeting, including the personal attention your business meeting requires and the idyllic surroundings your attendees desire. Choose from an assortment of facilities with more than 25,000 rental accommodations in a variety of private, picturesque settings.

For information, visit
www.fortmyers-sanibel.com,
or call us at 1-800-237-6444.

the beaches of
FORT MYERS SANIBEL
Lee County Visitor & Convention Bureau

DALLAS, TEXAS

In Dallas, meetings and conventions are king. Our staff, our services and our attention to detail promise high attendance and rave reviews. Our Convention Center is bigger and better than ever, with over 1 million square feet of exhibit space, including the world's largest singular column-free exhibit hall. Dallas offers the finest in Texas hospitality and a wealth of over 65,000 rooms ranging from first-class luxury to budget-friendly pricing.

For more information, please visit
www.dallascvb.com,
or call 1-800-C-DALLAS.

Dallas
LIVE LARGE. THINK BIG.

ORLANDO, FLORIDA

Great resorts and meeting facilities complement a surprising array of fine-dining, spa, golf and high-fashion shopping options. Add world-class theme parks that provide extraordinary backdrops for social events for even the most sophisticated, and you have all the elements for a great meeting. The Orlando CVB's award-winning team offers support from site visit to event planning, all free. See why the Orlando CVB says, "We promise great corporate meetings."

Call 1-800-662-2825, or visit
www.orlandoconvention.com and
click on Orlando CVB.

ORLANDO
We Promise Great Meetings
ORLANDO CONVENTION & VISITORS BUREAU, INC.

SCOTTSDALE, ARIZONA

We make your job easier. Contact the experts at the Scottsdale CVB to plan your ideal corporate or incentive meeting. With just one call or e-mail, we'll help you secure accommodations, meeting space, unique off-site venues and much more — for free.

Why Scottsdale?

- More than 60 resorts and hotels, including more than a dozen that earned Four- and Five-Diamond ratings in 2005
- 200 golf courses — many of them nationally renowned
- World-class spas, shopping, dining and a vibrant downtown nightlife
- Phoenix Sky Harbor International Airport, which serves more than 100 domestic cities per day with nonstop flights

For more information, call 1-800-782-1117,
or visit www.scottsdalecvb.com.

Scottsdale
Convention & Visitors Bureau

GREATER FORT LAUDERDALE

The reasons to bring your meeting to Greater Fort Lauderdale are as endless as the golden sands that line our palm-fringed beaches. These include outstanding facilities with the newly expanded 600,000-sq.-ft. Broward County Convention Center, and easy access with 585 daily flights to Fort Lauderdale/Hollywood International Airport. In addition, we have 33,000 inviting accommodations plus year-round sunshine, golf, outdoor dining, top shopping, picturesque waterways and "sunsational" service.

For more information, visit us at
www.sunny.org/meetingplanners,
or call 1-800-356-1662.

FORT LAUDERDALE
CONVENTION & VISITORS BUREAU

CHICAGO, ILLINOIS

When it comes to hosting a successful event, you can't beat Chicago, "The City That Works." Chicago boasts a diverse, powerhouse economy. It is also a first-class tourism center, with world-renowned shopping, dining, museums, architecture, theater, music and more. For meetings of all sizes, Chicago offers diverse meeting facilities, a multitude of hotels, exciting nightlife and impressive attractions. When the West Building is completed in 2008, McCormick Place will boast a total of 2.6 million square feet of exhibit space and 173 meeting rooms.

For more information, visit
www.choosechicago.com,
or call 312-567-8500.

CHICAGO
CONVENTION AND TOURISM BUREAU

MEETINGS TO REMEMBER

WEB DIRECTORY

Austin CVB

www.austintexas.org

The Beaches of Fort Myers and Sanibel

www.fortmyers-sanibel.com

Boston CVB

www.bostonusa.com

Chicago CTB

www.choosechicago.com

Dallas CVB

www.visitdallas.com

Greater Fort Lauderdale CVB

www.sunny.org/meetingplanners

Indianapolis CVA

www.indy.org

Orlando/Orange County CVB

www.orlandoconvention.com

Palm Beach County CVB

www.palmbeachfl.com

San Antonio CVB

www.sanantoniovisit.com

Scottsdale CVB

www.scottsdalecvb.com

St. Louis CVC

www.mynameisstlouis.com

Continued from page 18

When the two meeting planners quickly headed to Scottsdale for site visit, they were pleased with the personal service they received from the CVB. "One of our sales managers and our services manager spent two partial days with them, filling their heads with what they could incorporate in their program," says Hale. "They painted the perfect picture of the destination and how to tie the Native American theme all together, from entertainment to nightly room gifts. They were all pleasantly surprised that they didn't have to go into detail about the guests because we simply got it from past experiences."

In lieu of a typical activity day where a group of 375 would divide up for golf or spa outings, the CVB suggested an alternative volunteer activity, in which every guest could participate and give back to the community in some meaningful way. "Our team researched the possibilities, from rebuilding trails on the McDowell Sonoran Preserve to making teddy bears at the Stuffington Bear Company and donating them to a local children's hospital or burn-recovery center," says Hale. "It's an incredible experience that brings a group together in ways that nothing else can."

ST. LOUIS, Missouri

One of the long-standing customers of the St. Louis Convention Visitors Commission (CVC) is Reliv, a St. Louis-based nutritional supplement company. Founded in 1998, the company works with a sales force of independent distributors who now market Reliv products across the U.S. and around the world. "I wish I had bought their stock," says Kathy Steffen, the director of convention services for the CVC who has worked with Reliv for 12 years. "The company's growth has been fun to watch."

The company's meeting planner, Sue Lodderhose, originally worked for Reliv as a third-party planner. As the company grew, however, she came on staff. She has worked with Steffen and the CVC from the beginning to ensure that she uses St. Louis's meeting facilities and service providers in the best possible ways. "Reliv's meetings are large enough to qualify for the St. Louis CVC's citywide welcome program," says Steffen, and she works to ensure that Reliv's attendees know how much their business means to St. Louis by distributing welcome ribbons at hotels, welcome counter cards to retail outlets and restaurants, and having large welcome banners installed on downtown light poles. She also acts as a liaison for Reliv on anything the group needs while in St. Louis.

"The planners feel comfortable that everyone is going to do what they have promised," says Steffen. "We have developed a personal relationship based on trust, and that's the essence of what a CVB can do for a planner. We allow them to relax, knowing that their program will run smoothly and their attendees will be happy."



290

McKee Foods

Headed by Jack C. McKee, grandson of O.D. McKee and Ruth McKee, who founded the company in 1934, this bakery now employs 6,300 people, who make Little Debbie snack cakes, Sunbelt snacks and Heartland granola cereals.

RANK '05	RANK '04	COMPANY/ BUSINESS	HEADQUARTERS	REVENUES		EMPLOYEES
				2004 (\$MIL)	CHANGE (%)	
175	161	G-I HOLDINGS /roofing, building materials	Wayne, NJ	1,773	10.3	3,700
176	155	SUNBELT BEVERAGE /wine and spirits wholesaler	New York, NY	1,765e	6.3	3,300
177	233	BRIGHTSTAR /cellular equip distributor	Miami, FL	1,743	44.6	943
178	105	F DOHMEN /drug distributor; benefit mgmt services	Germantown, WI	1,734	-19.0	794
179	162	FRANK CONSOLIDATED ENTERPRISES /auto fleet lessor	Des Plaines, IL	1,733	8.3	569
180	■	METRO-GOLDWYN-MAYER /movies, TV production	Los Angeles, CA	1,725	-8.4	500
181	149	DELAWARE NORTH COS /park svcs, sports concessions	Buffalo, NY	1,700	0	30,000
182	234	TRUMAN ARNOLD COS /oil wholesaler; aviation svcs	Texarkana, TX	1,700 ¹	41.1	500
183	179	MCWANE /cast-iron pipe, valves, fittings	Birmingham, AL	1,686e	12.0	7,000
184	177	NORTEK /windows; HVAC equip	Providence, RI	1,679	10.8	7,700
185	173	DISCOUNT TIRE /tire stores	Scottsdale, AZ	1,666	8.1	9,500
186	174	FOSTER FARMS /poultry, deli meats; feed mills	Livingston, CA	1,664e	9.5	10,000
187	■	SELECT MEDICAL /hospitals, outpatient svcs	Mechanicsburg, PA	1,661	19.3	21,000
188	200	NATIONAL DISTRIBUTING /soft, alcoholic drinks	Atlanta, GA	1,645e	21.0	3,000
189	168	VERTIS /advertising, marketing services	Baltimore, MD	1,645	3.7	8,000
190	184	DUNN INDUSTRIES /commercial construction	Kansas City, MO	1,633	10.0	3,000
191	175	TOWERS PERRIN /personnel services	Stamford, CT	1,620	6.6	7,827
192	268	SOAVE ENTERPRISES /scrap metal, steel; beverages	Detroit, MI	1,609	49.8	2,556
193	207	ARDENT HEALTHCARE SERVICES /hospitals	Nashville, TN	1,607	30.2	15,900
194	158	HUNT CONSTRUCTION GROUP /commercial construction	Scottsdale, AZ	1,600	-3.0	725
195	197	TAYLOR /printing, stationery; direct-mail mktg	North Mankato, MN	1,600 ¹	14.3	15,000
196	216	BARNES & NOBLE COLLEGE BOOKSELLERS ¹⁰ /bookstores	Basking Ridge, NJ	1,541e	15.9	13,900
197	263	IASIS HEALTHCARE /hospitals	Franklin, TN	1,534e	10.6	10,000
198	204	SAS INSTITUTE /data-warehousing software	Cary, NC	1,530	14.2	9,600
199	218	NATIONAL WATERWORKS /pipes, valves, meters	Waco, TX	1,522	19.1	1,500
200	209	BAKER & TAYLOR /book distributor	Charlotte, NC	1,500	15.4	2,700
201	208	CC INDUSTRIES /truck trailers; furniture	Chicago, IL	1,500e	13.6	4,885
202	211	FHC HEALTH SYSTEMS /health care services	Norfolk, VA	1,500	15.4	8,500
203	■	FLEX-N-GATE /auto parts	Urbana, IL	1,500e	11.1	10,325
204	182	NATIONAL GYPSUM /wallboard	Charlotte, NC	1,500 ¹	0	2,800
205	196	SIERRA PACIFIC INDUSTRIES /lumber products; windows	Redding, CA	1,500e	7.1	3,600

EE FOOTNOTES ON PAGE 242.

FOR MORE INFORMATION, GO TO WWW.FORBES.COM/PRIVATE

America's Largest PRIVATE COMPANIES

Neiman Marcus

Texas Pacific Group and Warburg Pincus took the ritzy retailer private last May in a \$5 billion buyout worth \$100 per share. The company operates 35 Neiman Marcus department stores across the U.S. and 2 Bergdorf Goodman clothing stores in New York City.



RANK '05	RANK '04	COMPANY/ BUSINESS	HEADQUARTERS	REVENUES		EMPLOYEES
				2004 (\$MIL)	CHANGE (%)	
206	■	TANG INDUSTRIES /metal fabricator, distributor	Las Vegas, NV	1,500 ¹	61.3	3,200
207	198	YOUNG'S MARKET /wine, spirits wholesaler	Orange, CA	1,500	7.1	1,800
208	276	BERWIND GROUP /industrial equip; chemicals; drugs	Philadelphia, PA	1,489 ^e	41.7	3,500
209	199	WILBUR-ELLIS /agricultural supply distributor	San Francisco, CA	1,474	7.9	2,300
210	201	SHAMROCK FOODS /food wholesaler, dairy products	Phoenix, AZ	1,471	8.6	2,346
211	151	AG SPANOS COS /commercial, residential construction	Stockton, CA	1,460 ^e	-14.1	600
212	224	SSA MARINE /marine, rail cargo terminals	Seattle, WA	1,449 ^e	16.5	13,000
213	228	NORTH PACIFIC GROUP /wood, bldg materials wholesaler	Portland, OR	1,447	17.9	862
214	253	YATES COS /commercial construction	Philadelphia, MS	1,441 ^e	30.9	6,000
215	180	MAINES PAPER & FOOD SERVICE /food distributor	Conklin, NY	1,440	10.8	1,941
216	205	SKADDEN, ARPS /law firm	New York, NY	1,440 ^e	8.3	4,300
217	240	WINWHOLESALE ¹¹ /plumbing, HVAC equipment	Dayton, OH	1,440	20.0	3,700
218	246	LL BEAN /outdoor sporting goods	Freeport, ME	1,407	8.6	3,900
219	186	MCCARTHY BUILDING COS /commercial construction	St Louis, MO	1,403	-3.8	2,100
220	193	BLACK & VEATCH /engineering, construction	Overland Park, KS	1,400 ¹	0	6,800
221	150	PURDUE PHARMA /drugs	Stamford, CT	1,400	-17.6	2,200
222	195	ROOMS TO GO /furniture stores	Seffner, FL	1,400	0	6,000
223	259	WORLD WIDE TECHNOLOGY /IT equip reseller	St Louis, MO	1,400	27.3	700
224	202	PARSONS BRINCKERHOFF /engineering, construction	New York, NY	1,390 ¹	3.0	9,000
225	154	DUNAVANT ENTERPRISES /cotton merchant	Memphis, TN	1,388	-16.6	2,200
226	■	GREAT LAKES CHEESE /cheese	Hiram, OH	1,375	42.5	1,700
227	214	REPUBLIC BEVERAGE /wine and spirits wholesaler	Houston, TX	1,375 ^e	5.8	2,500
228	288	WARREN EQUITIES /oil trader; convenience stores	Providence, RI	1,356	32.3	2,100
229	226	BAKER & MCKENZIE /law firm	Chicago, IL	1,352	10.1	8,802
230	215	HOBBY LOBBY STORES /hobby, craft stores	Oklahoma City, OK	1,349	4.0	16,000
231	■	SSP PARTNERS /licensee for Circle K convenience stores	Corpus Christi, TX	1,347 ^e	25.2	3,500
232	192	GNC /vitamin stores	Pittsburgh, PA	1,345	-5.9	13,618
233	199	CONAIR /small appliances, personal care prods	Stamford, CT	1,343	5.2	3,331
234	■	BRADCO SUPPLY /building materials	Avenel, NJ	1,340	34.5	3,250
235	217	GOODMAN MANUFACTURING /heating, cooling equip	Houston, TX	1,318	1.4	4,500
236	285	ARCTIC SLOPE REGIONAL /oil refining, energy	Barrow, AK	1,316	27.9	6,500

SEE FOOTNOTES ON PAGE 242.

FOR MORE INFORMATION, GO TO WWW.FORBES.COM/PRIVATE

IT USED TO BE, STOCKS AND BONDS ALONE WERE ALL YOU NEEDED. NOT ANYMORE.

We had traditional investments.
We kept debt to a minimum.

A basic 30-year mortgage,
paid off in 30 years. Simple.

We went to Merrill Lynch for stock advice.
To a bank for our mortgage.

We couldn't be happier.

I see debt differently. It's as important
to manage as my assets.

A Loan Management Account* gives me borrowing
power while keeping my investment plan on track.

My Merrill Lynch Financial Advisor helps me
manage debt as part of my overall plan.

I'm going to be happy too.



**Robert Jacoby & his
daughter Rebecca**

You live differently now. You have more opportunities. More potential pitfalls. Your financial life is more complicated. Managed separately, the pieces of your financial life may not take you far enough. A Merrill Lynch Financial Advisor, however, can help you make all the pieces — mortgages, investments, insurance, retirement — work harder by working together. Experience the value of this integrated approach. **Call a Merrill Lynch Financial Advisor today at 1-800-MERRILL or visit www.totalmerrill.com.**



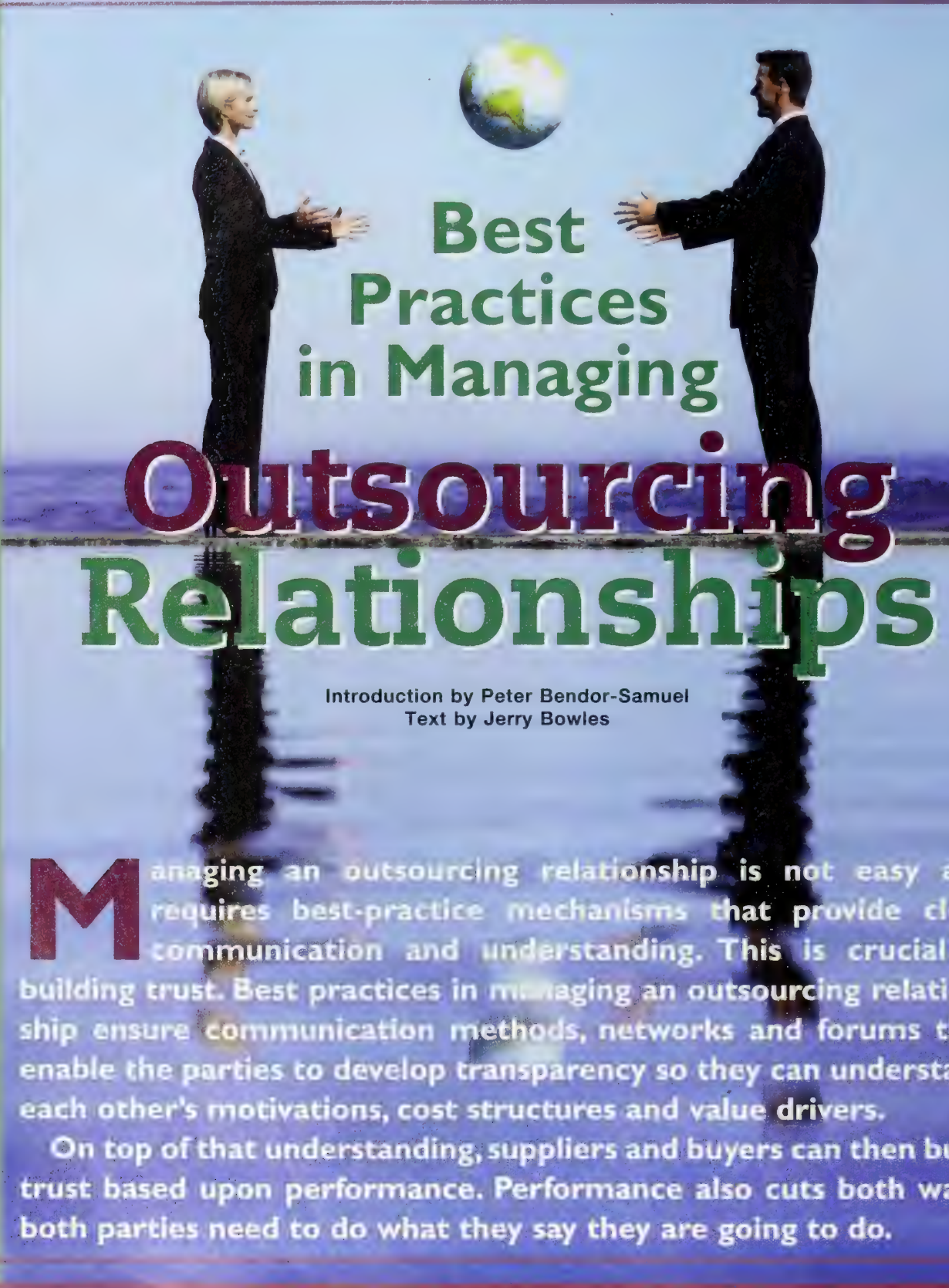
Raj Bhatia,
Merrill Lynch
Private Wealth Advisor



TOTAL MERRILL™

Client profile simulations are for illustration only. Client experiences and results may vary. This ad is not an offer to sell, nor an invitation to apply for any particular product or service. The Loan Management Account is offered by Merrill Lynch Bank USA and requires a pledge of assets in a Merrill Lynch brokerage account. Borrowing against securities may not be appropriate for everyone and should be carefully evaluated before being used. If securities decline in value, you may be required to pay down the loan or deposit additional securities as collateral. If you cannot do so, all or a portion of your collateral may be liquidated and the proceeds used to pay down your loan balance. A forced liquidation could also trigger a potential taxable event. Merrill Lynch Bank USA. Member, SIPC. Equal Opportunity Lender. *Total Merrill* and *Total Merrill design* are service marks of Merrill Lynch & Co., Inc. *Loan Management Account* is a registered service mark of Merrill Lynch & Co., Inc. © 2005 Merrill Lynch, Pierce, Fenner & Smith Incorporated. Member, SIPC.

 **Merrill Lynch**



Best
Practices
in Managing

Outsourcing Relationships

Introduction by Peter Bendor-Samuel
Text by Jerry Bowles

Managing an outsourcing relationship is not easy and requires best-practice mechanisms that provide clear communication and understanding. This is crucial in building trust. Best practices in managing an outsourcing relationship ensure communication methods, networks and forums that enable the parties to develop transparency so they can understand each other's motivations, cost structures and value drivers.

On top of that understanding, suppliers and buyers can then build trust based upon performance. Performance also cuts both ways: both parties need to do what they say they are going to do.

One Success Leads to Another.



Nancy Fairhead
Corporate Director, Human Resources



EMPLOYEEASE

Helping Revolutionize HR

The power of on-demand. Fueling HR, outsourcing and a lot of good decisions.

Atrium chose Employeease for outsourcing benefits administration. Then chose Employeease for HRIS as well. Why?

A successful outsourcing experience for one. For another, flexibility and the power to choose. On-demand technology gives Atrium the ability to use what they need when they need it. And, the results speak for themselves.

With Employeease, Atrium:

- **Controls benefit costs, netting a savings of almost \$2.6 million.**
- Offers better service to 6,200 employees via multi-lingual employee self-service.
- Simplifies the complexity of rapid growth without hiring additional HR staff.
- Earns the 2004 "Superstars of HR Outsourcing" Award from *HRO Today*.

With results like this, where else would you turn?

Experience The Revolution. Contact Us For A Test Drive

www.employeease.com

FEATURED HRIS • BENEFITS ADMINISTRATION • EMPLOYEE SELF SERVICE • MANAGER SELF SERVICE • PERFORMANCE MANAGEMENT

VE MANAGEMENT • RECRUITMENT • CONNECTIVITY TO PAYROLL • CONNECTIVITY TO INSURANCE CARRIERS AND OTHER SYSTEMS

EMPLOYEE CALL CENTER • ENROLLMENT SERVICES • CARRIER INVOICING AND BILLING FULFILLMENT • COBRA ADMINISTRATION

HIPAA ADMINISTRATION • FLEXIBLE SPENDING ACCOUNT ADMINISTRATION



I can state unequivocally that outsourcing failures result from a lack of trust. At Everest Group and through our Outsourcing Center's annual Outsourcing Excellence Awards looking at best practices in the world's best relationships, we have studied more than 900 relationships and conducted over 40 remediations. Overwhelmingly, the evidence points to trust as the major success factor and lack of trust as the primary reason relationships fail. It is also clear that a lack of trust comes from a lack of understanding and both parties concealing, either intentionally or inadvertently, what's going on. This creates dramatic misunderstandings.

Without understanding each other's motivations, one party is essentially perceived to have potential power that threatens the other, and both parties perceive each other as acting from a "me" stance instead of an "us" attitude. This eliminates people's willingness to reveal feelings about issues that led to a conflict or even to share true feelings about potential value-creation opportunities.

Unless both parties truly share with each other what they are thinking about doing and engage in honest feedback, there will be difficult roadblocks to future interaction. With best-practice mechanisms that ensure transparency, a collaborative approach and increasing trust, a relationship can be managed to thrive with ever-increasing value.

Peter Bendor-Samuel is chief executive officer and founder of Everest Group, a strategic business advisory firm and global leader in outsourcing innovation.

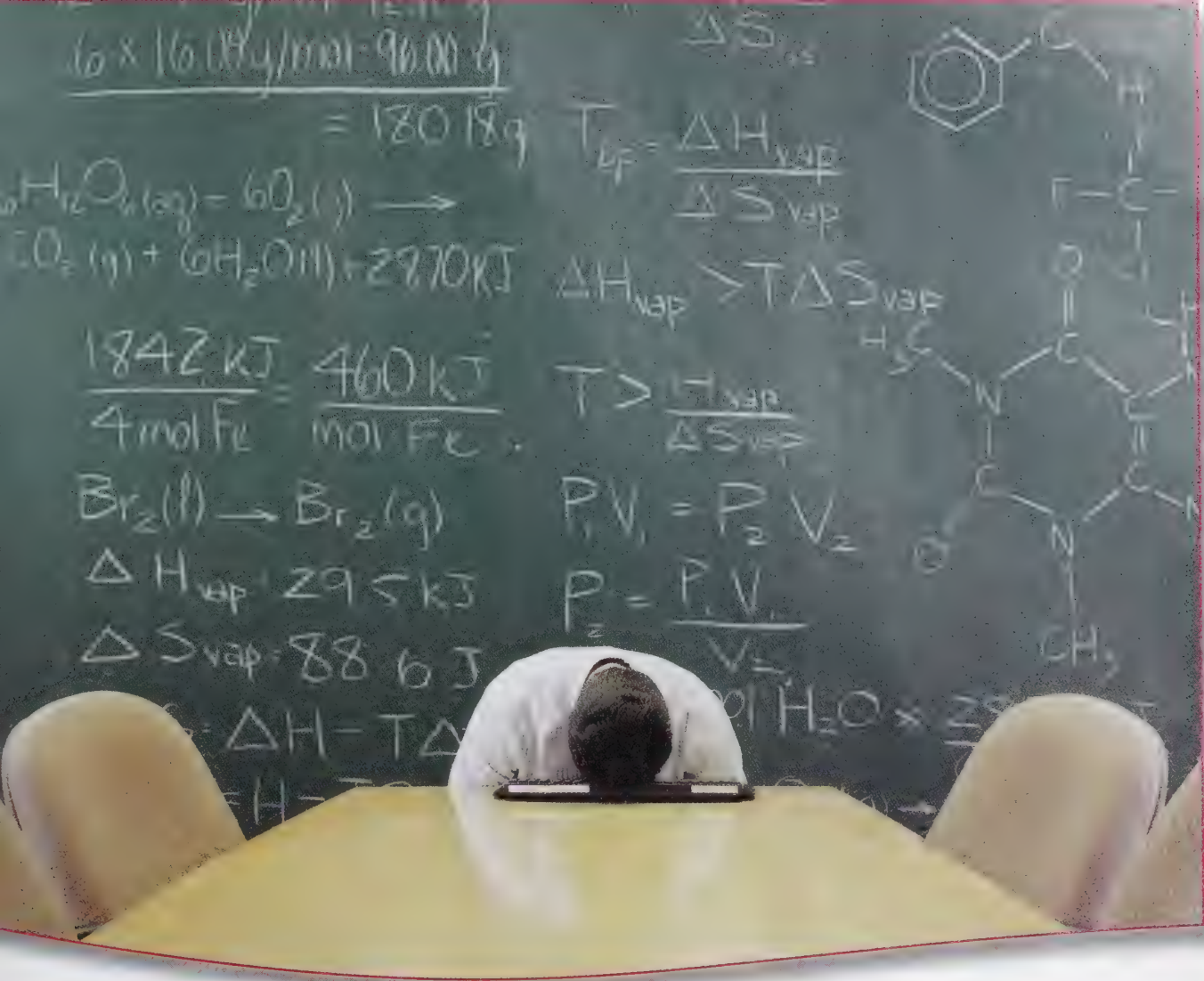
GE'S PIONEERING BPO ORGANIZATION HAS A NEW NAME AND IDENTITY: GENPACT

Genpact may be a new name in the outsourcing marketplace, but the company behind it is one of the industry pioneers and major players. Founded as a captive BPO in India by General Electric in 1997, GECIS had grown to more than 17,000 employees before GE divested a 60% stake to General Atlantic Partners and Oak Hill Capital Partners for \$500 million in November 2004. By then, GECIS had matured over 500 business processes, increased its operational efficiency and made substantial productivity gains. GE felt it was time for GECIS to leave the nest and begin taking on new clients, although GE remains its largest customer.

Employees and customers suggested names for the new entity by the hundreds. One of the brainstormers brought about Genpact. "We chose it because it both reflects our past and aptly communicates our brand promise — generating value, commitment, partnership and impact," says Pramod Bhasin, Genpact president and chief executive officer.

In the past year the company has lived up to its promise of serving not only GE's 35 distinct businesses but many other new companies as well. Since January 1, Genpact has received orders worth \$160 million from more than a dozen new customers. The organic growth potential from those orders totals \$500 million. Bhasin says Genpact's new clients are large enterprises from industries such as airline transportation, auto manufacturing, banking, insurance, pharmaceutical and entertainment.

"We are on track to deliver \$490 million in revenues for 2005, which will translate into a 25% growth rate. We expect to cross \$1 billion in annual revenues by 2008 through a mix of partnerships and organic as well as inorganic growth and have a headcount of 30,000 professionals," he says.



Ready to admit you need help?

Relax. We've got the formula for success.

The smartest companies know when to get help. And some of the best outsourcing help available anywhere is at Perot Systems. Combining an unmatched commitment to client service with a best-of-breed blend of people, processes and technology, we achieve real results for you in IT applications and infrastructure, business processes, and technology and strategy consulting.

When you're ready to put the formula for success to work in your organization, contact us at **1-888 31 PEROT (317 3768)**. Visit: **www.perotsystems.com**

To maximize value from outsourcing engagements, download the popular whitepaper "Avoiding the Seven Deadly Sins of Outsourcing Relationships" at: www.perotsystems.com/thoughtleadership

perotsystems®



Genpact has also been expanding in other ways, including opening new operations centers in Kolkata, India, and Bucharest, Romania; acquiring Creditek, a leading order-to-cash and receivables management firm in the U.S.; and signing an exclusive partnership with Liberata, one of the U.K.'s leading business process outsourcing providers, which is particularly strong in the life and pension market. The company is scouting for acquisition of small- to mid-size BPOs in the U.S. and Europe with expertise in finance and accounting, health care and insurance domains.

"We are confident that our pioneering spirit, GE foundation of integrity and Six Sigma rigor is a winning combination in the marketplace," Bhasin says.

EMPLOYEEASE MASTERS HR COMPLEXITY FOR FAST-GROWING ATRIUM COMPANIES

When Nancy Hartmann joined Atrium Companies, Inc., headquartered in Dallas, Texas, in 1998, the company had about 900 employees. Since then, Atrium has become North America's largest manufacturer of vinyl and aluminum windows and patio doors, with about \$800 million in annual net sales and 6,200 employees scattered across some 80 locations. The company's warp-speed growth — about four acquisitions a year — left Hartmann, corporate director of human resources, with a daunting challenge: how to manage all the legacy processes and benefit plans

that had arrived with each new acquisition. The company's benefits broker, who had been managing the plans, suggested it was time for Atrium to find an HR-specialized outsourcing partner.

"Our first attempts to outsource benefits administration, invoice reconciliation and open enrollment to regional benefit services firms didn't work out because the vendors simply couldn't handle the complexity," Hartmann says. "We found ourselves with over 30 different vendors and very complex benefit administration. I needed a company that was flexible enough to turn on a dime because our plan changes and acquisitions are done fast and frequently."

In 2003, after an extensive search process, Atrium found Employeease, a leading provider of on-demand HR, benefits administration and outsourcing solutions. Employeease implemented a new solution for Atrium within a 60-day deadline, revolutionizing the company's HR and benefits processes. The happy result is that not only are Atrium's HR and benefit challenges now firmly under control, but Hartmann estimates that using Employeease has helped save Atrium \$2.6 million in the first three years.

"We went with Employeease primarily because of its technology, the flexibility of its products and the willingness of its people to go that extra mile," Hartmann says. "At the time, we weren't ready for an HRIS, but we found that with Employeease we could do the benefits administration outsourcing and add the HR system later if we wanted to."

Through Employeease, HR managers in Atrium's 2 divisions now have secure information and real-time reporting right at their fingertips via a secure Internet connection. In addition, Employeease provides online enrollment and a customer contact center which has bilingual representatives to reach the 70% of Atrium's employee population that is Hispanic.

"We looked at some very large companies and some smaller potential outsourcing partners, but quickly became apparent that Employeease offered us the most flexibility and value for the money," Hartmann says. "Obviously, we're very pleased with how it has worked out. In May 2005, we renewed Atrium's contract with Employeease and added HR and manager self-service functionality."

Quicker. Sharper. Lighter.



Our business is about making your business lighter. So you can soar — and focus on what you do best. We're Genpact (formerly GE Capital International Services) — the rightshoring pioneer in Business Services and Technology Solutions. Our process engineers deliver a wide range of performance- and margin-improving services from 16 operations centers in six countries. If you're a large-scale enterprise looking for business impact from a partner you can trust, contact us today. We'll lighten your load.



FROM RUSSIA WITH EXPERTISE: LUXOFT'S SOFTWARE DEVELOPMENT OUTSOURCING

Russia may not be the first country you think of when you consider outsourcing, but Dmitry Loschinin thinks it should be. The president and chief executive officer of Luxoft, Russia's pioneering software development outsourcing firm, cites Russia's technical expertise, strong educational system, large population and relative physical and cultural proximity to the U.S. and Europe as key reasons.

For example, the Soviet Union created a massive, high-quality education system that nurtured tens of thousands of mathematicians, scientists and engineers to design space and weapons systems, and focused on other scientific, security and military developments. Today, many of those exceptionally trained scientists and practitioners have transitioned to IT for careers. Luxoft even has a contract with the U.S. Department of Energy to retrain Russian nuclear physicists for employment in the IT industry. A study released in June by the Russian IT services professional association, Russoft, reported that the country has 250,000 software engineers and more scientists per capita than Britain, Germany, India and France.

Luxoft employs a fair number of former rocket scientists as well. More than 60% of Luxoft employees have master's degrees or equivalent certification. Many, like Loschinin, are extremely proficient in English.

"Russian-trained professionals are well known for

their ability to handle complex projects, even those that require nontraditional or one-of-a-kind solutions," he says. "In addition to the usual cost advantages companies expect from an outsourcing partner, we have a reliable infrastructure, a culturally, Russian work and communication habits are similar to those in the U.S."

Launched in 2000 as a spin-off of IBS Group, one of the top IT firms to emerge after the fall of the Soviet Union, Luxoft had sales of about \$25 million in 2001 and has grown to more than 1,500 employees worldwide, with offices in five Russian cities and Kiev, Ukraine; Montvale, New Jersey; London; and Seattle, Washington.

Although Russian IT wages are slightly higher than those in India (\$8,000 to \$14,000 vs. \$7,000 to \$11,000 for Indian programmers with equivalent experience, according to a Gartner study), they are well below the \$55,000 or more that an American on a similar job would earn.

"We're competitive on price and we're second to none on quality," Loschinin says. "In the beginning, we had two clients, IBM and Boeing; now we have added more than 30 others, including companies like Dell and Deutsche Bank. Our client retention rate is around 90%. Our relationships are also flexible and open-ended, which is appealing to customers. Customers like to start with small projects and scale up rather than commit to really big projects from the beginning. We have the flexible infrastructure, talent and confidence in our quality to do that."

WEB DIRECTORY

EMPLOYEEASE

www.employease.com

EVEREST GROUP

www.everestgroup.com

GENPACT

www.genpact.com

LUXOFT

www.luxoft.com

PEROT SYSTEMS

www.perotsystems.com

Outsourcing Has a *New* Attitude

LUXOFT Strategic Advantages

- Strategic Advantage
- Long-term Partnerships
- Innovation in Services

Top Reasons to Choose LUXOFT

Innovative Services and Solutions

- A family of end-to-end integrated IT services
- Industrial strength LUXOFT Development Centers—a client-tailored delivery platform

Proven Client Engagement Model

- Collaborative goal setting designed to fit your business
- Brings clarity, engineering discipline and predictability to outsourcing projects
- Results in on-time, on-budget, and on-strategy projects

World-Class Experts

- Over 1,400 employees—the best talent, the best reach
- High level of employee retention reaching 90%
- Centers of expertise for .NET, JAVA, Documentum

World Leaders Trust LUXOFT

- Long-term relationships with global companies like Boeing, Dell, and IBM
- Award winning CRM solution for Deutsche Bank
- Best Practices consistent with the highest quality standards (CMMI5, ISO, and others)



Avoiding

The Seven Deadly Sins

OF AN OUTSOURCING RELATIONSHIP

by Jim Champy

Although outsourcing has gotten a lot of press recently, it's hardly a new phenomenon. More than a century ago, industrialization gave rise to specialization and the practice of companies working for each other. The trend abated briefly when Alfred Sloan developed the famed vertically integrated organization of General Motors, but by the 1950s, competitive pressures had again driven companies to send work beyond their walls.

Given the relentless demand by customers for getting more for less, it's certain that work will increasingly be outsourced to partners around the corner and around the world. As various studies and decades of actual experience have shown, the value added through outsourcing not only benefits the outsourcing provider and customer, but the economy as a whole. Global sourcing is not a zero-sum game.

But as smart a business move as outsourcing usually is, effectively managing the workflow is tricky, since a company's knowledge accompanies its work — often to another shore. Executives need to avoid common pitfalls to ensure that their outsourcing relationships deliver maximum

value. I call them the Seven Deadly Sins of Outsourcing Relationships:

1 Launching an outsourcing relationship without deeply understanding core competencies versus the work you can most effectively outsource

A key benefit of outsourcing is that it enables a company to focus on the work that is core to its value proposition. Obviously, it is vital to know exactly what that is. That might sound elementary, but the truth is many companies have only a superficial knowledge of how they truly create value for their customers. If you're a pharmaceutical company, is your success based on the quality of your research, on your sales and distribution network, on your unique manufacturing capabilities or on something different altogether?

Don't be surprised if you find yourself considering outsourcing one of your operational strengths. Although you may be good at something tactically, it still may not be core, and someone else may do it better and at a lower cost.

"Although you may be good at something tactically... someone else may do it better and at a lower cost."

The Author: James Champy is a leading authority on organizational change. Jim is co-author of *Reengineering the Corporation*, the landmark bestseller in the mid '90s that sold more than 2 million copies and helped launch business transformation management. As a follow-up, Jim also wrote *X-Engineering the Corporation: Reinventing Your Business in the Digital Age*. Jim is chairman of consulting at Perot Systems Corporation.

2 Underestimating the importance of process standardization

Every company begins with the belief that the work it is outsourcing is unique and must be managed uniquely. The company expects its outsourcing service provider to maintain that complexity rather than to simplify and standardize the work processes. People are moved to the provider in their existing state and are independently managed next to countless similar processes of other companies. Consequently, the cost and service benefits of standardization and simplification are lost.

The reality is that most basic processes are similar from company to company and service providers must embrace process standardization if they are to help their clients achieve true operational excellence. Twenty years ago companies argued that their payroll processes were unique, and they spent millions building custom payroll applications and processes. Today, no rational company would consider running its own payroll system — they simply use the standard processes offered by service providers, realizing greater efficiency and high quality as a result.

3 Not driving for true transparency with your outsourcing partner

Certain kinds of work involve fairly stable processes, like order fulfillment. But others change over time ...

Note to reader: To continue reading about Sin #3 and how to prevent other common snags, you're invited to download the popular whitepaper *Avoiding the Seven Deadly Sins of Outsourcing Relationships* at: www.perotsystems.com/thoughtleadership



Who knows what the future holds for BPO?

Get to know us and you will.

Everest Research Institute, the most authoritative, accessible and fact-based source of outsourcing research and analysis, is uniquely qualified to offer the future insights you need to make the smartest Business Process Outsourcing (BPO) decisions today.

Founded by Everest Group, long-respected for its expertise in outsourcing consulting, the Institute serves as a central source of strategic intelligence, analysis and insight for buyers, suppliers and investors in the IT and BPO marketplace.

The Institute is led by a distinguished group of senior executives and thought leaders in the global outsourcing community who oversee the annual research agenda, currently focused on Human Resources, Finance and Accounting, and Procurement Outsourcing.

Members receive a comprehensive annual report and written updates throughout the year, as well as unlimited access to premier analysts who will personally interpret the research and help you make the most effective BPO decisions.

Learn more about how our BPO research services will provide the strategic intelligence you need now to make the best decisions for the future.

www.everestresearchinstitute.com or 214.451.3110



RESEARCH INSTITUTE

SSA Marine

Each year SSA Marine handles 40 million tons of cargo at port and rail facilities stretching from Seattle to Savannah to San Antonio, Chile. Last April SSA Marine sued the federal government, claiming breach of contract and seeking \$4.4 million in damages on its 2003 contract for \$4.8 million to run the Iraqi port of Umm Qasr.



RANK '05	RANK '04	COMPANY/ BUSINESS	HEADQUARTERS	REVENUES		EMPLOYEES
				2004 (\$MIL)	CHANGE (%)	
237	206	MICHAEL FOODS /liquefied eggs, refrigerated foods	Minnetonka, MN	1,314	-0.8	3,897
238	242	SEALY² /mattresses	Trinity, NC	1,314	10.4	6,399
239	■	HAMPTON AFFILIATES /lumber	Portland, OR	1,312	50.8	1,600
240	243	K-VA-T FOOD STORES /Food City and Super Dollar stores	Abingdon, VA	1,310	10.9	10,400
241	271	OXBOW /fossil fuels, geothermal energy	West Palm Beach, FL	1,307	23.3	1,031
242	239	HOLIDAY COS /convenience stores	Bloomington, MN	1,305e	25.0	4,000
243	265	ANDERSON NEWS /magazine, book wholesaler	Knoxville, TN	1,301e	20.5	8,400
244	229	BELLCO HEALTH /drug, medical supply distributor	North Amityville, NY	1,300 ¹	7.0	230
245	237	BOAR'S HEAD PROVISIONS /deli meats, cheese	Sarasota, FL	1,300e	8.3	2,200
246	248	BOSTON CONSULTING GROUP /consulting	Boston, MA	1,300	16.1	4,900
247	232	CARPENTER /polyurethane foam	Richmond, VA	1,300	7.7	6,000
248	299	KOCH FOODS /poultry	Park Ridge, IL	1,300	30.0	7,000
249	172	DI GIORGIO /White Rose foods, food wholesaler	Carteret, NJ	1,297	-16.0	1,021
250	262	CROWN EQUIPMENT /heavy-duty electric lifts	New Bremen, OH	1,293	18.6	7,335
251	258	NEW BALANCE ATHLETIC SHOE /athletic shoes, apparel	Boston, MA	1,289	14.1	2,700
252	203	DAY & ZIMMERMANN /engineering, construction	Philadelphia, PA	1,283 ¹	-4.7	20,000
253	221	HOUGHTON MIFFLIN /textbooks	Boston, MA	1,283	1.5	3,554
254	250	AMERICAN TIRE DISTRIBUTORS /tires, wheels	Huntersville, NC	1,282	15.2	2,075
255	257	KEY SAFETY SYSTEMS /auto air bags	Sterling Heights, MI	1,280e	16.4	9,000
256	■	O'NEAL STEEL /steel distributor	Birmingham, AL	1,272	65.6	2,525
257	254	D&H DISTRIBUTING /computers, consumer electronics	Harrisburg, PA	1,270	15.5	750
258	225	HAWORTH /office furniture	Holland, MI	1,260	2.4	7,500
259	280	BRASFIELD & GORRIE /construction	Birmingham, AL	1,258	20.3	2,267
260	244	DART CONTAINER /plastic cups, food containers	Mason, MI	1,250e	5.9	5,000
261	194	MUSICLAND GROUP /music and video stores	Minnetonka, MN	1,250e	-10.7	8,500
262	189	PURITY WHOLESALE GROCERS /grocery wholesaler	Boca Raton, FL	1,250	-13.8	375
263	238	ESSELTE /filing, labeling, office supplies	Stamford, CT	1,242	3.5	6,000
264	210	BURGER KING /restaurants	Miami, FL	1,230e	-5.4	30,000
265	227	MARITZ /marketing, research, business services	Fenton, MO	1,230	0.2	4,034
266	235	AUSTIN INDUSTRIES /commercial construction	Dallas, TX	1,227	2.0	5,300
267	249	WATKINS ASSOCIATED INDUSTRIES /trucking; seafood	Atlanta, GA	1,222	9.3	10,000

SEE FOOTNOTES ON PAGE 242.

FOR MORE INFORMATION, GO TO WWW.FORBES.COM/PRIVATE



YOU SEE AN ANCIENT CULTURE. WE SEE MODERN HOMEOWNERS.

Templeton fund managers spot global investment opportunities others might miss.



In 1998, our fund managers recognized the investment opportunity presented by a mortgage company serving India's rapidly growing middle class. We purchased stock in the company, and our fund shareholders were able to get in on the ground floor of a dynamic housing boom.

Taking advantage of a global opportunity like this requires a unique perspective. One that comes from having offices in over 25 countries and on-the-ground analysts utilizing research techniques that have been honed for over 50 years. It's what's made Templeton a pioneer in global investing.

For more information on how Templeton's experience and expertise in global investing may benefit your portfolio, see your financial advisor, call **1-800-FRANKLIN** or visit franklintempleton.com.



**FRANKLIN TEMPLETON
INVESTMENTS**

< GAIN FROM OUR PERSPECTIVE® >

TEMPLETON WORLD FUND

Average Annual Total Returns
9/30/05 - Class A[†]

1-Year	17.49%
5-Year	4.94%
10-Year	9.34%

Before investing in Templeton World Fund, you should carefully consider the fund's investment goals, risks, charges and expenses. You'll find this and other information in the fund's prospectus, which you can obtain from your financial advisor. Please read the prospectus carefully before investing.

Investment return and principal value will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. Performance data quoted includes the maximum 5.75% initial sales charge and represents past performance, which does not guarantee future results. More recent returns may differ from figures shown; for most recent month-end performance figures, please visit franklintempleton.com.

Foreign investing involves special risks including currency fluctuations and political uncertainty. Holdings subject to change.

Franklin Templeton Distributors, Inc., One Franklin Parkway, San Mateo, CA 94403.

The fund offers other share classes, subject to different fees and expenses, which will affect their performance. Average annual total returns represent the average annual increase in value of an investment over the indicated periods and assume reinvestment of dividends and capital gains at net asset value.

225

Dunavant Enterprises

Last August William Buchanan Dunavant Jr. ended a 44-year run as chief executive of Dunavant Enterprises, the world's largest private cotton merchant. Son William B. Dunavant III now heads the company, which handles 4.5 million bales of cotton annually.



RANK '05	RANK '04	COMPANY/ BUSINESS	HEADQUARTERS	REVENUES		EMPLOYEES
				2004 (\$MIL)	CHANGE (%)	
268	230	BIG Y FOODS /supermarkets	Springfield, MA	1,220	0.8	8,400
269	273	ACADEMY SPORTS & OUTDOORS /retail	Katy, TX	1,216	14.8	8,000
270	231	VOUGHT AIRCRAFT INDUSTRIES /aerospace subassemblies	Dallas, TX	1,215	0.5	6,300
271	264	GOULD PAPER /paperboard, paper distributor	New York, NY	1,210	11.3	410
272	■	DAWN FOOD PRODUCTS /bakery supplies, equipment	Jackson, MI	1,200	44.9	3,500
273	272	PELLA /windows, doors	Pella, IA	1,200e	13.2	8,600
274	■	WASHINGTON COS /rail, marine transport; environ services	Missoula, MT	1,200	50.0	4,024
275	■	INTERNATIONAL SPECIALTY PRODUCTS /specialty chems	Wayne, NJ	1,194	33.7	2,800
276	247	RITZ CAMERA CENTERS /photography, boat stores	Beltsville, MD	1,185 ¹	4.4	10,700
277	■	KUM & GO /convenience stores	West Des Moines, IA	1,150	NA	3,500
278	■	LES SCHWAB TIRE CENTERS /tire stores	Prineville, OR	1,150e	15.6	5,800
279	270	WIRTZ /liquor wholesaler; real estate; sports	Chicago, IL	1,150e	7.5	2,200
280	304	RED CHAMBER GROUP /seafood importer, exporter	Vernon, CA	1,143	14.3	1,200
281	256	HONICKMAN AFFILIATES /soft drink bottler	Pennsauken, NJ	1,130e	2.7	5,000
282	274	TOPA EQUITIES /beverage distributor; insurance	Los Angeles, CA	1,121	6.2	2,298
283	289	ALSCO /linens, uniforms	Salt Lake City, UT	1,118e	9.4	12,000
284	269	GSC ENTERPRISES /food distributor	Sulphur Springs, TX	1,117	4.1	1,100
285	222	BARTLETT & CO /grain merchandising, storage	Kansas City, MO	1,110	-11.9	720
286	255	DREAMWORKS SKG /motion pictures	Glendale, CA	1,107e	0.6	600
287	267	VIEWSONIC /computer monitors	Walnut, CA	1,104	2.7	807
288	278	CONCENTRA OPERATING /health cost containment svcs	Addison, TX	1,102	4.9	10,000
289	■	BEALL'S /department stores	Bradenton, FL	1,101	12.0	10,485
290	279	MCKEE FOODS /Little Debbie, Sunbelt snacks	Collegedale, TN	1,101	4.9	6,300
291	■	BOZZUTO'S /food wholesaler, supermarkets	Cheshire, CT	1,100e	24.6	3,100
292	298	GENMAR HOLDINGS /recreational boats	Minneapolis, MN	1,100	10.0	6,000
293	283	JONES DAY /law firm	Cleveland, OH	1,100	6.4	4,800
294	■	LPL FINANCIAL SERVICES /financial services	San Diego, CA	1,100e	23.6	1,000
295	261	PRINTPACK /wrappers, flexible packaging	Atlanta, GA	1,100 ¹	0.8	3,900
296	■	PROGRESS RAIL SERVICES /RR equipment, services	Albertville, AL	1,100e	NA	3,500
297	217	TIC HOLDINGS /builds power, petrochem, industrial plants	Steamboat Springs, CO	1,100	-14.1	5,000
298	■	ASSOCIATED MATERIALS /vinyl siding, windows	Cuyahoga Falls, OH	1,094	40.3	3,137

SEE FOOTNOTES ON PAGE 242.

FOR MORE INFORMATION, GO TO WWW.FORBES.COM/PRIVATE

ROMI



9th Annual Return on Marketing Investment 2006

Balancing Marketing Science with
Art, Experience, and Intuition

February 6-8, 2006
Seas Resort
Isla Mujeres, FL

FOR 2006

Full day symposium on
optimizing investment in new and
non-traditional media

Leadership and Strategy track
designed especially for your
company's ROMI Champion
More sessions dedicated to best
practices and cross industry
applications

Panel session featuring the
cooperated research of an aca-
demic, agency, and corporate
practitioner

GRAM HIGHLIGHTS

Give marketing a voice at the busi-
ness management table

Speak the language of the CEO
and CFO

Assess and compare the "bang for
your marketing buck" across media

Optimally incorporate new media
to your marketing mix

Coordinate marketing for synergy
across cultures and media

Measure online returns beyond
the click through

Develop a sturdy and repeatable
process for an accountable
marketing plan

Create a company culture that utilizes ROMI to integrate
new media into a charged, results-driven marketing plan.



Jack Trout,
World-Renowned,
Best Selling Author
and Marketing
Strategist



Scott Deaver,
Executive Vice
President, Marketing,
Cendant Car Rental



Patrick McGraw,
Vice President of
Market Research,
Duracell/Gillette



Michael Marx,
Vice President
Research Services,
Strategic Marketing,
VISA



Steve Druckman,
Chief Marketing
Officer,
Fresh Direct



Dwight Risky,
Senior Vice President
of Global Consumer
Insights and Business
Development,
Frito-Lay Worldwide



Deborah Pike,
President and Chief
Marketing Officer,
ARBY'S



Terry Pittman,
Executive Director,
Digital Services
Research Group,
AOL



Anne Murray,
Senior Director,
Interactive
Marketing,
Southwest Airlines



Laura Marriott,
Executive Director,
The Mobile
Marketing
Association

Produced by



Institute for
International Research

As a Forbes reader
you are entitled to a
15% discount of the
standard fee.

Discount code:
XM1821FB

Supported by



Official Business
Publication

Forbes



reveries



To Register ... Call: 888.670.8200 Fax: 941.365.2507 Email: register@iirusa.com

www.iirusa.com/romi

America's Largest PRIVATE COMPANIES

RANK 05	RANK 04	COMPANY/ BUSINESS	HEADQUARTERS	REVENUES		EMPLOYEES
				2004 (\$MIL)	CHANGE (%)	
298	252	M A MORTENSON/commercial construction	Minneapolis, MN	1,085	-1.6	1,800
300	■	MCJUNKIN/pipes, valves, fittings	Charleston, WV	1,081	35.5	1,426
301	277	BOSCOV'S DEPARTMENT STORE/department stores	Reading, PA	1,071	1.9	11,000
302	236	ASI/computer equip, software distributor	Fremont, CA	1,060	-11.7	550
303	■	DOANE PET CARE/pet food	Brentwood, TN	1,051	17.3	2,392
304	275	REMY INTERNATIONAL/auto elec parts, transmissions	Anderson, IN	1,051	-0.2	6,800
305	290	KLEIN WHOLESALE DISTRIBUTORS/food store distributor	Wilkes-Barre, PA	1,050e	2.7	400
306	■	MA LABORATORIES/computer equip distributor	San Jose, CA	1,050 ¹	15.4	410
307	301	MICRO ELECTRONICS/Micro Center computer stores	Hilliard, OH	1,050e	5.0	1,800
308	302	MTD PRODUCTS/lawn mowers, outdoor power equip	Valley City, OH	1,050e	5.0	6,600
309	303	PEERLESS IMPORTERS/wine, spirits wholesaler	Brooklyn, NY	1,050e	5.0	1,500
310	■	SIGMA PLASTICS GROUP/plastic films	Lyndhurst, NJ	1,050e	10.5	4,450
311	■	US OIL/oil, auto parts distrib, convenience stores	Combined Locks, WI	1,047	6.8	700
312	■	COLUMBIA FOREST PRODS/wood veneers, plywood, flooring	Portland, OR	1,046	14.9	4,000
313	■	TRIMAS/transport equip, packaging systems	Bloomfield Hills, MI	1,045	15.5	5,200
314	■	PETRO STOPPING CENTERS/truck stops	El Paso, TX	1,044	28.4	4,226
315	■	FREEMAN COS/trade show services	Dallas, TX	1,041	8.7	3,750
316	■	GOYA FOODS/Hispanic foods	Secaucus, NJ	1,040e	6.7	2,500
317	■	DAVID WEEKLEY HOMES/home building	Houston, TX	1,031	8.6	1,236
318	■	WILLIAMSON-DICKIE MFG/work wear, casual wear	Fort Worth, TX	1,030e	11.8	4,040
319	■	SIDLEY AUSTIN BROWN & WOOD/law firm	Chicago, IL	1,029e	11.1	3,600
320	■	UNITED COMPONENTS/auto parts	Evansville, IN	1,027	7.1	6,900
321	266	BARTON MALOW/commercial construction	Southfield, MI	1,024	-5.2	1,206
322	■	CINEMARK USA/movie theaters	Plano, TX	1,024	6.9	13,200
323	■	LONG & FOSTER COS/real estate brokerage	Fairfax, VA	1,023	30.8	2,100
324	281	CONNELL LIMITED PARTNERSHIP/aluminum recycling	Boston, MA	1,020	2.0	1,700
325	■	SUFFOLK CONSTRUCTION/general contractor	Boston, MA	1,020	15.0	675
326	■	CHEMCENTRAL/industrial chemical distributor	Bedford Park, IL	1,019 ¹	NA	971
327	■	24 HOUR FITNESS WORLDWIDE/fitness centers	San Ramon, CA	1,015	3.5	17,083
328	■	DREES CO/construction	Fort Mitchell, KY	1,013	4.5	1,285
329	305	TEAM HEALTH ² /physician staffing services	Knoxville, TN	1,009	0.9	5,700
330	■	ESTES EXPRESS LINES/trucking	Richmond, VA	1,004	16.1	10,200
331	■	PLASTIPAK PACKAGING/plastic containers	Plymouth, MI	1,004	11.8	3,850
332	294	WALBRIDGE ALDINGER/commercial construction	Detroit, MI	1,003	-1.2	2,000
333	■	BEAULIEU OF AMERICA GROUP/carpet, carpet yarns	Dalton, GA	1,000e	9.3	8,300
334	■	CROWLEY MARITIME/marine transport	Oakland, CA	1,000	2.2	4,268
335	■	M FABRIKANT & SONS/jewelry wholesaler	New York, NY	1,000	7.3	800
336	287	MERIDIAN AUTOMOTIVE SYSTEMS/auto parts	Dearborn, MI	1,000e	-2.4	5,400
337	251	PLASTECH ENGINEERED PRODUCTS/plastic auto parts	Dearborn, MI	1,000e	-9.5	6,000
338	■	SUTHERLAND LUMBER/home improvement stores	Kansas City, MO	1,000e	14.7	2,400
339	293	SWAGELOK/valves, fittings, fluid-system products	Solon, OH	1,000 ¹	-2.0	3,000

Revenues exclude excise taxes where applicable and public subsidiaries. Revenues are worldwide figures. ■ Not on last year's list. NA: Not applicable. e: Forbes estimate. ¹Company provided estimate. ²Announced plans to go public. ³Formerly Science Applications International. ⁴Excludes sales from discontinued operations. ⁵Pro forma figure. ⁶Formerly MDFC Holding. ⁷Formerly Borden Chemical. ⁸Agreed to be acquired. ⁹Formerly Tishman Realty & Construction. ¹⁰Formerly Barnes & Noble College Bookstores. ¹¹Formerly Primus.

FOR MORE INFORMATION, GO TO WWW.FORBES.COM/PRIVATE



Everyone smile and say “fully vested.”

CREATE YOUR OWN PENSION PLAN It's a good feeling, knowing where you're going. It's an even better feeling being in control of how and when you get there. Your MetLife advisor can help you build a custom portfolio of funds and annuities that are right for you, and help you handle all the details. After all, whose retirement is it anyway? For more information, **call 1-800-MetLife or visit metlife.com**

Have you met life today?



MetLife

America's Largest PRIVATE COMPANIES INDEX

RANK	COMPANY	RANK	COMPANY	RANK	COMPANY
145	ABC Supply	259	Brasfield & Gorrie	162	Ebsco Industries
269	Academy Sports & Outdoors	177	Brightstar	69	Eby-Brown
27	Advance Publications	159	Brookshire Grocery	58	84 Lumber
101	Aecom	264	Burger King	16	Enterprise Rent-A-Car
137	Affinia Group	11	HE Butt Grocery	92	Ergon
102	Alex Lee	8	C&S Wholesale Grocers	7	Ernst & Young
51	Allegis Group	19	Capital Group Cos	263	Esselte
263	Alsco	1	Cargill	330	Estes Express Lines
25	Altracor	82	Carlson Cos	335	M Fabrikant & Sons
171	AMC Entertainment	247	Carpenter	202	FHC Health Systems
254	American Tire Distributors	201	CC Industries	14	Fidelity Investments
143	Amsted Industries	150	Central National-Gottesman	203	Flex-N-Gate
103	Andersen	88	CH2M Hill Cos	30	Flying J
243	Anderson News	326	Chemcentral	146	Follett
236	Arctic Slope Regional	322	Cinemark USA	186	Foster Farms
193	Ardent Healthcare Services	85	Clark Enterprises	179	Frank Consolidated Enterprises
148	Ashley Furniture Industries	52	Colonial Group	315	Freeman Cos
302	ASI	312	Columbia Forest Prods	121	Fry's Electronics
142	Asplundh Tree Expert	233	Conair	175	G-I Holdings
298	Associated Materials	288	Concentra Operating	111	E&J Gallo Winery
266	Austin Industries	324	Connell Limited Partnership	152	General Parts
229	Baker & McKenzie	97	Consolidated Elec Distributors	292	Genmar Holdings
200	Baker & Taylor	110	ContiGroup Cos	34	Giant Eagle
196	Barnes & Noble College Booksellers	166	Cooper-Standard Automotive	99	Gilbane
285	Bartlett & Co	12	Cox Enterprises	84	Glazer's Wholesale Drug
321	Barton Malow	334	Crowley Maritime	89	Global Hyatt
149	Bashas'	250	Crown Equipment	232	GNC
144	Bass Pro	78	Cumberland Farms	126	Golden State Foods
59	Battelle Memorial Institute	257	D&H Distributing	90	Golub
289	Beall's	260	Dart Container	235	Goodman Manufacturing
218	LL Bean	317	David Weekley Homes	48	Gordon Food Service
333	Beaulieu of America Group	272	Dawn Food Products	168	WL Gore & Associates
6	Bechtel	252	Day & Zimmermann	271	Gould Paper
109	Belk	124	DeBruce Grain	316	Goya Foods
244	Bellco Health	181	Delaware North Cos	123	Graham Packaging Holdings
208	Berwind Group	138	DeMoulas Super Markets	104	Grant Thornton International
268	Big Y Foods	249	Di Giorgio	43	Graybar Electric
220	Black & Veatch	185	Discount Tire	226	Great Lakes Cheese
50	Bloomberg	303	Doane Pet Care	165	Grocers Supply
245	Boar's Head Provisions	151	Dr Pepper/7 Up Bottling Group	284	GSC Enterprises
33	Boise Cascade	178	F Dohmen	36	Guardian Industries
66	Booz Allen Hamilton	161	Dot Foods	37	Gulf Oil
101	Boscov's Department Store	286	DreamWorks SKG	48	Gulf States Toyota
172	Bose	328	Drees Co	64	HT Hackney
246	Boston Consulting Group	158	Dresser	41	Hallmark Cards
291	Bozzuto's	225	Dunavant Enterprises	239	Hampton Affiliates
234	Bradco Supply	190	Dunn Industries	258	Haworth



ECO-PROOF. BECAUSE THE EARTH IS 70% WATER AND THE OTHER 30% IS

MUD AND DIRT



GET THE ONLY WATERPROOF POINT-'N-SHOOT DIGITAL CAMERA AND **GET MUDDY.**

PENTAX Optio[®]WPi

WATERPROOF • ACCIDENT PROOF • LIFE PROOF

- > 6.0 megapixels
- > 3X optical zoom
- > Under \$350
- > 100% waterproof (JIS Class 8) because "splashproof" and "all-weather" cameras just don't cut it.

pentaximaging.com



PGA TOUR CHARITABLE GIVING REACHES \$1 BILLION MILESTONE

GOLF IS A GAME THAT CELEBRATES ACCOMPLISHMENTS.

Events like Bobby Jones' 1930 "Grand Slam," Byron Nelson's 1945 winning streak, Ben Hogan's three major victories in 1953, Jack Nicklaus' 1986 Masters victory and Tiger Woods' feat of winning three majors in 2000 and then adding the fourth with the 2001 Masters are all cherished by golf fans.

This fall, we celebrate another remarkable historic moment, as the PGA TOUR and its tournaments reach the \$1 billion mark in charitable giving. It is a singular accomplishment and a true team effort that has benefited thousands of people and institutions. Nothing any other sport has ever done has come even remotely close.

"Giving back to the communities in which our events are held is at the heart of the PGA TOUR," says PGA TOUR Commissioner Tim Finchem. "It reflects directly on a number of entities, namely tournaments, sponsors, television partners, players, volunteers and communities, all working together toward a common goal. Charity is what drives and motivates those involved to make the commitments and sacrifices they do. In addition, the individual players add charity dollars at their own charity events and contribute significantly to the overall mix."

The TOUR's first donation was made in 1938, when the Palm Beach Invitational donated \$10,000. This year the collective efforts of the PGA TOUR, Champions Tour and Nationwide Tour helped push the total charitable giving to its record level — a figure that would have been unthinkable not so long ago. And while much of this has been accomplished by players, individual tournaments, volunteers and fans, the TOUR's corporate partners have also played an enormous role. Southern Company is a case in point.

As the "Official Energy Company of the PGA TOUR and Champions Tour," Southern Company presents the Payne Stewart Award, given annually at THE TOUR Championship presented by Coca-Cola to a player who shares and represents the late Stewart's respect for the game's traditions and support of charity. Southern Company contributes \$300,000 annually, with a third going to Payne and Tracy Stewart's primary charity, The Stewart Family Foundation; a third going to The First Tee facility in Stewart's native Missouri; and a third going to a charity designated by the recipient.

It is just one important example of the TOUR family working together to help those who, while they may not know much about golf, appreciate receiving a helping hand in their time of need. ■



Arnold Palmer participating in the ceremonial drive at the Bay Hill Invitation



Jim Furyk at Columbus Children's Hospital during a charity visit at the Memorial Tournament



Jay Haas, recipient of the 2004 Payne Stewart Award, and PGA TOUR Commissioner Tim Finchem



THIS YEAR'S WINNER OF THE PAYNE STEWART AWARD TAKES HIS PLACE AMONG GOLF'S GREATEST AMBASSADORS.



Brad Faxon



Byron Nelson
2000



Jack Nicklaus
2000



Arnold Palmer
2000



Ben Crenshaw
2001



Nick Price
2002



Tom Watson
2003



Jay Haas
2004

One of the greatest names in golf has won it. And this year, Brad Faxon joins them as the winner of the Payne Stewart Award, announced in 2000 by the PGA TOUR and Southern Company. Brad was selected by key members of major golf organizations and previous winners. The award is accompanied by an annual \$400,000 Payne Stewart Award Grant, presented by Southern Company, with a third going to Brad's designated charity, the Faxon Foundation.

So please join Southern Company in congratulating Brad Faxon as he takes his rightful place among golf's greatest ambassadors. To learn more visit southerncompany.com/payne.

Official Energy Company
of the PGA TOUR



America's Largest PRIVATE COMPANIES INDEX

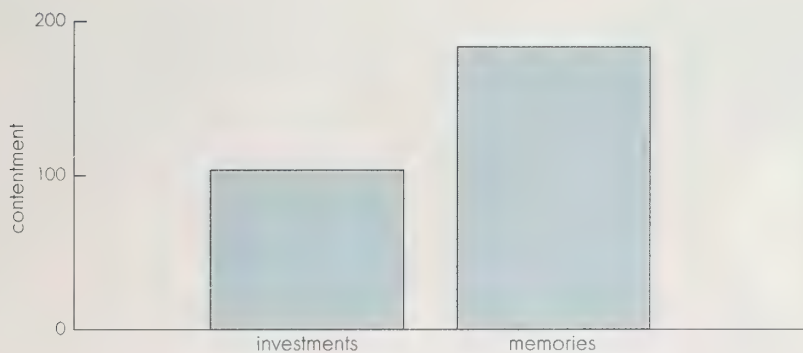
RANK	COMPANY	RANK	COMPANY	RANK	COMPANY
45	Hearst	26	Marmon Group	5	Publix Super Markets
105	Heico Cos	3	Mars	221	Purdue Pharma
141	Hensel Phelps Construction	153	Mary Kay	262	Purity Wholesale Grocers
42	Hexion Specialty Chems	39	MBM	170	Quad/Graphics
230	Hobby Lobby Stores	219	McCarthy Building Cos	113	Quality King Distributors
242	Holiday Cos	300	McJunkin	32	QuikTrip
281	Honickman Affiliates	290	McKee Foods	135	Quintiles Transnational
117	HP Hood	72	McKinsey & Co	65	RaceTrac Petroleum
132	Houchens Industries	183	McWane	67	Raley's
253	Houghton Mifflin	163	Medline Industries	114	Red Apple Group
112	JM Huber	10	Meijer	280	Red Chamber Group
100	Hunt Consolidated/Hunt Oil	23	Menard	304	Remy International
194	Hunt Construction Group	336	Meridian Automotive Systems	174	Renco Group
38	Hy-Vee	60	Mervyns	227	Republic Beverage
197	Iasis Healthcare	147	Metaldyne	21	Reyes Holdings
116	Ingram Industries	180	Metro-Goldwyn-Mayer	133	Rich Products
93	International Data Group	237	Michael Foods	276	Ritz Camera Centers
275	International Specialty Products	307	Micro Electronics	222	Rooms to Go
79	InterTech Group	61	Milliken & Co	140	Rooney Holdings
118	Jeld-Wen	299	M A Mortenson	154	Rosen's Diversified
17	JM Family Enterprises	308	MTD Products	40	Roundy's
71	JohnsonDiversey	28	Murdock Holding Company	20	SAIC
24	SC Johnson & Son	261	Musicland Group	128	Sammons Enterprises
293	Jones Day	188	National Distributing	198	SAS Institute
83	Edward Jones	204	National Gypsum	107	Save Mart Supermarkets
240	K-VA-T Food Stores	199	National Waterworks	70	Schneider National
169	Ben E Keith	48	Neiman Marcus Group	129	Schnuck Markets
255	Key Safety Systems	251	New Balance Athletic Shoe	91	Schreiber Foods
80	Keystone Foods	134	NewPage	278	Les Schwab Tire Centers
63	Peter Kiewit Sons'	184	Nortek	62	Schwan Food
106	Kingston Technology	213	North Pacific Group	155	Scoular
56	Kinray	256	O'Neal Steel	238	Sealy
305	Klein Wholesale Distributors	57	OSI Group	187	Select Medical
248	Koch Foods	241	Oxbow	9	SemGroup
2	Koch Industries	157	Parsons	108	Services Group of America
53	Kohler	224	Parsons Brinckerhoff	210	Shamrock Foods
277	Kum & Go	309	Peerless Importers	76	JF Shea
86	Lanoga	273	Pella	87	Sheetz
98	Leprino Foods	73	Perdue Farms	319	Sidley Austin Brown & Wood
44	Levi Strauss & Co	314	Petro Stopping Centers	205	Sierra Pacific Industries
173	Life Care Centers of America	127	Petters Group Worldwide	310	Sigma Plastics Group
323	Long & Foster Cos	337	Plastech Engineered Products	74	JR Simplot
125	Love's Travel Stops	331	Plastipak Packaging	47	Sinclair Oil
294	LPL Financial Services	18	Platinum Equity	216	Skadden, Arps
306	MA Laboratories	4	PricewaterhouseCoopers	192	Soave Enterprises
215	Maines Paper & Food Service	295	Printpack	164	Software House Intl
265	Maritz	296	Progress Rail Services	136	Solo Cup



Photo: iStockphoto.com/IPC/Getty Images/Photo: iStockphoto.com

CONTENTMENT INDEX

relative to investments



An investment portfolio isn't the only thing that should be well-balanced. A balanced life is pretty important too – and Northern Trust can help you with both. We'll give you the personal attention of a dedicated advisor. Supported by an entire team of wealth experts, who will analyze your investment options, and develop a plan that is right for you. Because where you want to go in life is up to you. It's our job to help you get there. If you'd like to know more, call William Morrison at 1-800-468-2352 or visit northerntrust.com.



Northern Trust

Private Banking | Asset Management | Financial Planning | Trust Services | Estate Planning Services | Business Banking

America's Largest PRIVATE COMPANIES INDEX

RANK	COMPANY	RANK	COMPANY	RANK	COMPANY
31	Southern Wine & Spirits	115	Texas Genco	95	Vistar
130	Southwire	297	TIC Holdings	270	Vought Aircraft Industries
211	AG Spanos Cos	122	Tishman Construction	77	VWR International
81	Springs Industries	282	Topa Equities	332	Walbridge Aldinger
212	SSA Marine	191	Towers Perrin	160	Walsh Group
231	SSP Partners	13	Toys "R" Us	228	Warren Equities
68	Stater Bros Markets	35	Transammonia	274	Washington Cos
139	Structure Tone	94	TravelCenters of America	267	Watkins Associated Industries
325	Suffolk Construction	313	TriMas	75	Wawa
176	Sunbelt Beverage	182	Truman Arnold Cos	54	Wegmans Food Markets
55	SunGard Data Systems	327	24 Hour Fitness Worldwide	96	Whiting-Turner Contracting
338	Sutherland Lumber	156	UniGroup	209	Wilbur-Ellis
339	Swagelok	29	Unisource Worldwide	318	Williamson-Dickie Mfg
15	Swift & Co	320	United Components	131	WinCo Foods
167	Swinerton	311	US Oil	217	WinWholesale
206	Tang Industries	120	US Oncology	279	Wirtz
195	Taylor	119	Vanguard Health Systems	223	World Wide Technology
329	Team Health	189	Vertis	214	Yates Cos
22	Tenaska Energy	287	ViewSonic	207	Young's Market



*The Kiwi Bird presents the KIWI Express[®] Shine Sponge,
a ridiculously fast, no buff, no hassle shine.*



Look Sharp
kiwibirdfiles.com

O...O...O...The Big...Big O

Overstock.com®
Your Online Outlet™

Receive **Free Shipping** on your entire order*

Enter promo code **78661** at checkout



Save up to 70% every day



14-kt. Diamond
and Tanzanite
Royal Pendant
List Price: \$1,450.00
Our Price: \$679.99



Ebel Sport Classic Men's
Stainless Steel Watch
List Price: \$1,675.00
Our Price: \$749.99



Perry Ellis Men's
Black Three-button
Suit
List Price: \$475.00
Our Price: \$179.99

roducing the

Overstock.com®
Rewards Visa Card



CHASE



Save even more

Visit www.overstock.com/forbes

CHASE

shopping

books, music
& movies

auctions

travel

HOME &
GARDEN

JEWELRY &
WATCHES

SPORTING
GOODS

ELECTRONICS

APPAREL

WORLDSTOCK

GIFTS

HEALTH &

WHOLESALE

Enter the code **78661** at checkout and get free shipping on your entire order

will appear on the billing page after you have entered the code. Excludes orders comprised solely of products from the "Auctions" and "Travel" categories. Offer expires 12/31/05. Ground shipping only. Only valid in the 48 continental United States. Not valid with any other offer or club membership. Hurry! Products are limited to availability.

www.Overstock.com

Overstock.com® is a registered trademark of Overstock.com, Inc. All other trademarks are the property of their respective owners and are used only to identify products offered for sale by Overstock.com, and their owners are not affiliated with or sponsors of Overstock.com, Inc. Prices are subject to change.

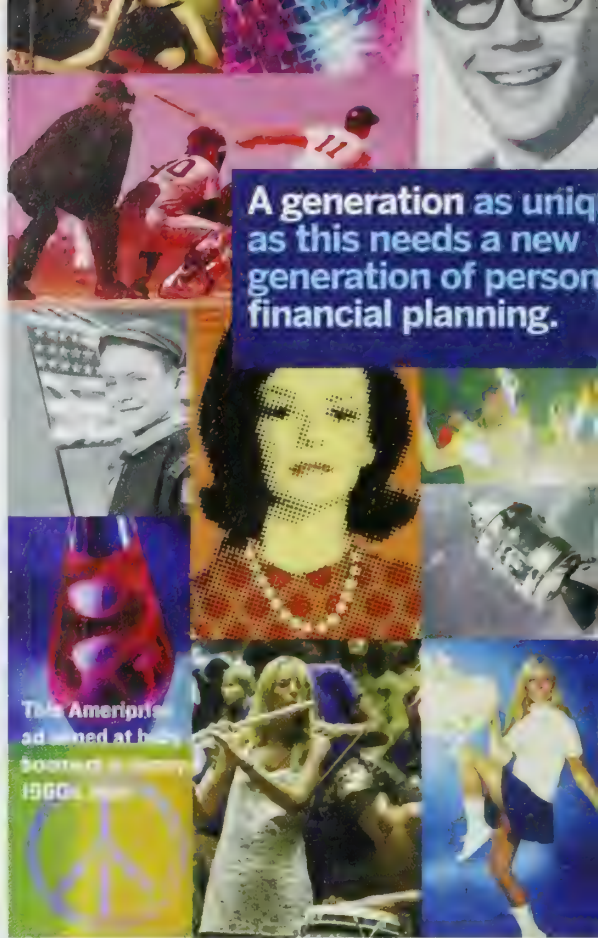
Overstock.com®
Your Online Outlet™

Age of Aquarius

American Express' financial advisory business has long been the card company's stepchild. So AmEx spun off the unit in September with a real capitalistic moniker, **AMERIPRISE FINANCIAL (37, AMP)**. The new firm promptly launched an ad campaign targeting retirement-anxious baby boomers, with images of Woodstock, lava lamps and other 1960s symbols. Hey, that's not too original. Who isn't after baby boomers' retirement dollars?

Ameriprise, though, might just have the moves to thrive. Under Chief James Cracchiolo it has revamped itself for a new era. The firm has settled charges that it pushed in-house mutual funds. Its 10,000 advisers now are encouraged to sell products from outside the company, which should build trust among clients. And the just-filed quarterly report, the first since the spinoff, is encouraging. In a blah quarter for the stock market the company posted solid fee income, upped its annuity sales and reported asset inflows. Operational earnings were well ahead of estimates—up 11% to \$179 million. Joseph Cornell of Spin-Off Advisors thinks Ameriprise will earn \$3.25 next year. The shares are cheap at 11 times that sum. Also, the company trades at 1.1 times book value, a discount to such competition as A.G. Edwards (1.9) and Principal Financial Group (1.9).

—Peter Lattman



True North

Yield-rich Canadian oil and gas royalty trusts are in great vogue, some undeservedly so (see "Out of Energy," Jan. 10). But the upcoming merger between **ACCLAIM ENERGY TRUST (15, ACNJE)** and **STAR-POINT ENERGY TRUST (17, SPNFF)** should produce a winner. The union, expected in January, will pay dividends delivering a 13% yield while consuming only 60% of cash flow from operations. In other words, there will be a good chunk of cash left over to purchase new reserves, which are being depleted at an annual rate of 11% (that is, the reserve life is nine years).

Both stocks have fallen since the merger news. Get them now, says John Maloney of M&R Capital Management. After the merger the new trust's stock will benefit by moving to the New York Stock Exchange.

—Christopher Helman



Health Scare

COMMUNITY HEALTH SYSTEMS (37, CYH) appears to be in robust shape. Sales for the hospital operator are up 17% to \$2.8 billion for 2005's first three quarters, profits up 7% to \$119 million. Hospital admissions have risen 9%, and the stock is up 35% this year.

The stock is overvalued, says Morgan Stanley analyst Gary Lieberman, who thinks Community is expanding too fast. The acquisition-happy company initially said it would buy two to four hospitals this year and thus far has bought five.

Lieberman says that acquired properties take several years to be as profitable as its existing hospitals. Amid a health care boom, hospital prices are rising, so buying new ones will eat more deeply into Community's returns. At a 22 P/E, Community is not cheap. We say short the stock.

—Megan Johnston



Coal for Christmas

There's joy in toy land, at least for **HASBRO (19, HAS)**, with its updated Furby. The doll tells jokes, plays games and dances.

Hasbro, maker of Monopoly and GI Joe, also is helped by the DVD release of the latest *Star Wars*, which has boosted sales of its theme toys. For the nine months to September earnings grew 3% to \$118 million on \$2 billion in sales.

What's not to like? Just the price, which is out of line with post-Christmas growth prospects.

Felicia Kantor Hendrix at Lehman Brothers expects earnings-per-share growth to slow from 13% in 2005 (most sales come at year-end) to 4% in 2006. Compare its projected growth to the price/earnings ratio. Hasbro's P/E is 1.8 times the year-ahead growth number. Anything above 1.0 is seen as overvalued. We say short Hasbro.—Dorothy Pomerantz



ACTIONS •creating• VALUE

Our Companies:

- *Coca-Cola FEMSA. The world's largest Coca-Cola bottler, outside the United States.*
- *FEMSA Cerveza. The brewery with the strongest beer brand portfolio in Mexico.*
- *FEMSA Comercio. Biggest and fastest-growing convenience store chain in Mexico.*



More than 110 years
building a successful
business culture,
centered on the
generation of economic
and human value.

**BEST
EMPLOYERS**



Operating income has risen
at a compound Annual
Growth Rate of

19.5% FOR THE
LAST 10
YEARS
1993-2003

FEMSA
Latin America's Beverage Leader

**FMX
LISTED
NYSE**



FEMSAUBD

INVESTOR RELATIONS: ALAN ALANIS / EMILY KLINGREIL (52.81) 8328.6167
CORPORATE COMMUNICATIONS: JAIME TOUSSAINT / CAROLINA ALVEAR (52.81) 8328.6046 www.femsa.com

The **BIGGEST BEST** **MORNING SHOW**



**Fox
& Friends**

The #1 Morn

Left to Right -Front Row: Julian Phillips, Bill McCuddy, Juliet Huddy,
Kiran Chetry, Chris Knowles, Lauren Green, Dr. Manny Alvarez.

Source: Nielsen Media Research, FNC vs. CNN, MSNBC, CNBC & HLN. #1 Morning Show on C

ST IMPORTANT ON TELEVISION

**And Our People
Actually Like
Each Other.**



**5
News**



In Cable News

— Back Row: Judge Andrew Napolitano, Alisyn Camerota, Mike Jerrick,
Steve Doocy, E.D. Hill, Brian Kilmeade, Kelly Wright, Janice Dean.

Persons 2+ AA(000), Monday-Friday 7a-9a Subject to qualifications available upon request



Buy That Earnings Yield

IF YOU ARE SPOOKED BY THE RECENT INCREASE IN INTEREST rates, or if you aren't sure what to make of Federal Reserve chairman nominee Ben S. Bernanke, you might be holding back from new commitments to the stock market. Rising rates kill stocks, don't they? So you decide to wait and see.

If that describes you, you have a lot of company. Corporate profits are up strongly this year, GDP growth came in at a robust 3.8% (annualized) in the third quarter despite Katrina, and still investors are fretting. Measured by the MSCI World Index, stocks are only fractionally higher than in January.

Stop fretting. Plenty of stocks are cheap enough to buy, for the reason I outlined in my June 6 column. Namely: For a lot of good companies the earnings yield, which is the inverse of the price/earnings ratio, is higher than the yield on high-grade corporate bonds. That makes such stocks cheap—cheap for the company, if it wants to buy in shares; cheap for a corporate acquirer financing a takeover with its own bonds; and cheap for a portfolio investor whose alternative is owning corporate bonds.

Forecasters have wrongly predicted steeply rising long-term interest rates for fully two years. Yet ten-year rates have hovered within a half-percentage point or so of 4.25%. This cheap money has prevailed even as the Fed has jacked up the cost of overnight loans. How can this be? High short-term rates have renewed foreigners' confidence in the dollar. Foreigners have a lot of money to save, and so long as they don't have to worry about a devaluation of the dollar, they are happy to save it here.

Today the lending business is globalized. Not so 40 years ago. Then, with fixed currency rates, national rather than global banks, minimal electronics and no futures to hedge, each country's long-term rates were set within that country's domestic market. Today the market forces that determine whether you can refinance your mortgage at 6%, or how much a corporation pays to borrow money to finance an acquisition, are truly international.

Any firm whose stock is trading at a multiple of earnings below 22 can buy back its stock or be taken over, increasing the acquirer's earnings per share. Below are a few such stocks. They are plausible buyback or acquisition candidates but still good investments even if neither happens.

Norfolk Southern Corp (42, NSC), while an East Coast rail line, also a hidden energy play. As oil stays high, pressure builds on coal as a cheap alternative, and coal accounts for 25% of Norfolk's revenue. Norfolk steadily gains market share by acquiring rail lines. At 15 times trailing earnings it can also increase earnings per share by borrowing long-term debt and using the proceeds to buy back its own shares. The big risk is that oil prices might fall. But Norfolk's \$18 billion market cap would make an attractive takeover morsel at current levels.

Similarly, **Archer Daniels Midland (24, ADM)** is getting a competitive boost from its farsightedness in betting on coal to fuel its vast food-processing and shipping operations. Its large scale compared with the competition, provides efficiencies; its throughput overseas provides opportunities. Selling at 50% of annual revenue and 15 times trailing earnings, this is another dominant player that can increase earnings per share simply by buying

back its stock.

The earnings yield for a lot of good companies exceeds what corporate high-grade bonds pay. That makes these stocks cheap indeed.

Thirteen million U.S. households own at least one product from **MetLife (50, MET)**. This insurer spans life, auto, homeowners and other kinds of policies (including annuities; see my Sept. 19 column criticizing them). I particularly like its direct-sales method, including junk mail and Internet advertising, which bring in approximately 80% of revenue. MetLife's strong institution unit is a testament to its viability. Of course, insurance is competitive, but at 12 times

trailing earnings this \$40 billion (market capitalization) firm is positioned to do well.

So is **Aegon (15, AEG)**, the Dutch insurance giant. It trades at nine times expected 2005 earnings and 70% of revenue; its dividend, now yielding 3.7%, is well covered. This growing low-cost producer will have many opportunities to tackle Europe's myriad retirement problems. It's the largest foreign insurer as measured by U.S. revenues; like Metlife, it has its own direct-sales distribution—at nine times earnings, companies don't normally have so many great attributes. I'm willing to forgive it for selling variable annuities.

Would you like a low-risk investment in a huge emerging market with vast natural resources and cheap labor? Try Brazil's second-largest homegrown bank that isn't controlled by a bank abroad, **Banco Itau Holding Financeira (24, ITU)**. Its 3,000 branches span the country's wealthy southeast. It is small enough to keep growing rapidly, yet with a \$27 billion market value it's big enough to elicit takeover interest from giants in New York, London and Madrid. It is priced at 17 times trailing earnings.

Forbes
e.com

Kenneth L. Fisher is a Woodside, Calif.-based money manager. Visit his home page at www.forbes.com/fisher.



INTRODUCING...

ForbesAutos.com

ForbesAutos.com is a new website devoted exclusively to luxury vehicles.

You know what you expect from a luxury vehicle. Superior handling. Engineering excellence. Incomparable comfort. Appointments that fit your personal style. Find the reviews, decision guides, photo galleries and dealer pricing you need to research and buy your next luxury vehicle at ForbesAutos.com.

Visit ForbesAutos.com
today for a chance to



win a 400-hp Cadillac CTS-V,
valued at over \$50,000.

No Purchase Necessary. Game ends December 22, 2005. Must be 18 years of age or older and legal resident of the U.S. to enter. See Official Rules for details. Void where prohibited. MSRP of Grand Prize vehicle: \$49,995.

You've worked hard to earn that special luxury vehicle that suits your passion for performance and style. **Find it at...**

Forbes
AUTOS
com



Stick to Your Guns, Fannie

TWO OF MY LONGTIME FAVORITE STOCKS ARE GETTING killed. **Fannie Mae (47, FNM)** is down 34% this year and **Freddie Mac (60, FRE)** is down 18%. They have both been run through the Wall Street/media/Capitol Hill scandal mill because of accounting problems.

What were their sins? Nothing like those of Enron or WorldCom. Fannie used derivatives accounting to pump up its earnings; Freddie used it to depress its earnings, essentially stuffing profits into a cookie jar for future use. Sometime soon Fannie will put out an earnings restatement that will put the mischief behind it. In both cases the underlying business operations remain strong. These are profitable and growing companies.

Congress created Fannie in 1938 and Freddie in 1970 to help finance housing for the middle class. They have done this admirably. The two organizations buy mortgages from banks, guarantee the loans and then package them into bonds. Freddie and Fannie either sell these mortgage-backed securities or hold them in their own portfolios. The result is that the U.S. has the world's largest percentage of families that own their homes. Fannie and Freddie benefit from the implicit federal guarantee of their debt, which lowers their cost of borrowing.

The fear raised by critics is that these two government-sponsored enterprises will run into trouble if the huge amount of mortgage-backed debt they hold (\$1.6 trillion) implodes after a wave of mortgage defaults by homeowners. Fortunately, both companies are well capitalized, and the wholesale meltdown of mortgage-backed securities that the alarmists foresee is far-fetched. Yes, it's possible that enormous numbers of homeowners will default. It is also possible that an asteroid will strike the Earth.

Despite the accounting shenanigans, the two have never needed the taxpayers to bail them out. How ironic that the banking community, the source of much of the anti-Fannie fervor, can't say the same. Not long ago the feds forked over \$124 billion to fix the savings-and-loan fiasco. Banks like Citigroup may chide Fannie and Freddie for accounting irregularities, but they can hardly profess to be saintly themselves. Jack Grubman, the star tele-

com analyst at Citi's Salomon Brothers, sold the investing public a pack of hooey about WorldCom. WorldCom's collapse cost the investing public many billions.

The banking bunch want to hamstring Fannie and Freddie and require them to divest their mortgage-backed portfolios, thus making banks a bigger force in packaging these bonds. Good for bankers in the short term, bad for everyone in the long term. Banks and mortgage finance companies often have lower standards on home loan applications than Fannie and Freddie do. Why we should trust Citi over Fannie remains a mystery.

The problems at the two mortgage giants are getting fixed. Congress is weighing tighter regulation of Fannie and Freddie. The Office of Federal Housing Enterprise Oversight (Ofheo), the companies' overseer, and other agencies are delving into what went wrong. The chiefs of both companies and their lieutenants have stepped down. Note: Nobody has gone to jail because

of the accounting errors.

But the anti-Fannie faction is not satisfied. A Sept. 29 *Wall Street Journal* article, posted on Dow Jones Newswires the previous day, alarmingly revealed that additional horrid Fannie revelations are on the way. "Investigators combing through Fannie Mae's finances have found new and pervasive accounting violations," the article said, including "overvalued assets and underreported credit losses." The online article came out at 2:20 p.m. Sept. 28 and Fannie dropped 11% that day, costing investors

The accounting problems at Fannie Mae and Freddie Mac are being fixed. Don't be scared by the howling mob. These are fine stocks.

an estimated \$5 billion. Freddie slid sharply in sympathy.

New violations? I am skeptical, and so are many other knowledgeable people. In the two days that followed, analysts at the majority of the large Wall Street houses said this was old news. More than a month has passed, and no evidence has emerged to back up the *Journal* story. The reporter says proof of these new violations may not surface for several months.

Another recent broadside against the government-sponsored mortgage buyers came from Armando Falcon Jr., director of Ofheo from 1999 to last May, in an Oct. 11 *Journal* op-ed piece. Falcon's diatribe lumps Freddie and Fannie in with WorldCom, Enron and Adelphia. He warns that left unchecked the two companies could have posed "serious disruptions to our financial system." He doesn't say how, other than citing an obscure Ofheo report.

If you own either of these stocks, hang in there. If you don't, buy them. They're cheaper. Fannie Mae trades at an estimated 6 times trailing earnings, giving you a margin of safety even if earnings are restated downward. Freddie is at 11 times earnings.

Forbes

David Dreman is chairman of Dreman Value Management of Jersey City, N.J. His latest book is *Contrarian Investment Strategies: The Next Generation*. Visit his home page at www.forbes.com/dreman.



Melanie's bank

improves the flavor of commercial banking

offers fresh expertise to help sweeten growth

provides the perfect blend of treasury management services

brings next-generation online solutions to the mix

believes dedication is the formula for success.

Invest in youSM



Commercial Banking

Northern California - Michael Riley, Market President, (415) 705-7170

Central Valley - Scott A. Hagel, Market President, (916) 321-6702

Greater Los Angeles - Bitia Ardalan, Market President, (818) 595-2021

Metro Los Angeles - Scott Connella, Market President, (213) 236-4275

Orange County/San Diego - Mary Allis Curran, Market President, (619) 230-3374

Small Business Services - (866) 876-7065

All financing subject to credit approval.

Visit us at uboc.com



Buy This Swedish Stock

WHAT DO SLOVENIA, VENEZUELA, CHINA, JAMAICA and Taiwan have in common? They are the only countries I could find in a scroll through my Bloomberg screen with markets that have underperformed the U.S. this year. Otherwise, stock markets around the world, ranging from Dubai's to South Africa's to South Korea's, are in the throes of massive rallies.

Why are equities in the U.S. struggling so this year? Yes, the Federal Reserve is raising interest rates faster and higher than central banks in many other countries, and high rates hurt stocks. Yet U.S. mortgage and corporate credit is plentiful, and long-term rates remain quite low. Another possible market impediment is a political malaise stemming from an unpopular war. But for investors this factor is more than offset by good news: Corporate managements are hustling to return their huge cash stashes to shareholders via stock buybacks and dividends.

A third potential headwind for U.S. market performance is the fear of rising inflation. Inflation, in the past, has depressed price/earnings multiples. That's a valid concern, although these fears are not new, and the risk of inflation didn't seem to matter in the market's banner years 2003 and 2004.

Let me suggest a few unorthodox reasons for the unimpressive showing of American stocks. Although greater disclosure is a good thing, the new information we're getting is often useless. The double whammy of Sarbanes-Oxley and accountants terrified of their own liability has conspired to generate 10-Qs and 10-Ks written by lawyers for lawyers. No one else can read them, and that harms investor confidence. Next comes Regulation FD, which burdens analysts with new restrictions, thus driving them from Wall Street firms to private equity funds. The upshot is that only a privileged few investors benefit from genuinely useful research. Finally—and this one galls me most—is the perversity of plaintiff attorneys extorting shareholder money from corporate targets. The money to pay off the lawyers ultimately comes out of investors' pockets. The class action industry makes a mockery of a tort system set up to right true wrongs.

Despite the regulatory and legal thickets of U.S. investments, many of us choose to stay at home, since we prefer the devil we know. A lot of American investors say they balk at going inter-

national because that's "too hard," or "the information isn't easily accessible," or "governance isn't great" over there. In other words they are overly leery of risk. Wealth, however, is built by taking risks, not playing it safe. It is not supposed to be easy. Just as information, production, distribution and services now flow across borders, wise investors must follow them to find the best opportunities. One symbol of this new reality: Harvard just chose Mohamed El-Erian, an emerging-market specialist from Pimco, to run its endowment (*see p. 102*).

The pundit Charles Gave, a truly original thinker and co-head of Hong Kong's GaveKal Research Partners, has been pointing out for years the phenomenon of the "platform" company. This term refers to companies that manufacture or assemble in low-cost countries and distribute in high-cost countries. The high-cost nations add value in product design, information systems and marketing. A company's "home country" is merely

where it is registered and pays taxes. Classic examples include Sweden's Ikea and America's Dell Computer. The challenge is to find one of these great stocks at a reasonable price.

Sweden's **Autoliv (42, ALV)** is the world's leading manufacturer of air bags, seat belt assemblies and other automotive safety equipment. Amid the pessimism surrounding the auto industry, Autoliv is selling at a remarkably attractive 11 times trailing earnings, with a market cap of \$3.8 billion.

Better the devil they know: U.S. investors prefer to stay at home, as overseas stocks seem too risky. But wealth is built by taking risks.

Autoliv is the perfect platform company: It is traded both in Stockholm (where the company is headquartered) and on the New York Stock Exchange. Autoliv manufactures in 30 countries, increasingly the ones with low labor costs such as Turkey and Romania. It sells to the large automakers, many under pressure to lower expenses, but has managed to maintain margins.

Even in this difficult industry Autoliv has doubled earnings and tripled cash flow from operations over the past five years. The company is mounting a big stock buyback, having repurchased 18% of outstanding common shares since 2000. The Web site provides a wealth of useful information about the company overall, and also gives daily updates on share repurchases. Conference calls are held in English, and are a model of clarity.

Other good non-U.S. platform companies: **Toyota Motor (94, TM)**, the world's most successful carmaker, with a P/E of 14; **Nokia (16, NOK)**, the Finnish cell phone innovator, at a 16 multiple; and **Novartis (54, NVS)**, the Swiss pharma giant, at 20. While their P/Es are affordable, with only Novartis trading above the S&P 500's average multiple, I am waiting to buy at slightly cheaper valuations.



Lisa W. Hess is a New York money manager. Visit her home page at www.forbes.com/hess.

THE FORBES CIO FORUM 2005

December 5-6, 2005, The Westin Times Square, New York, NY

CIOs are expected to work magic—pulling rabbits out of hats made of thin air. Is it possible to be on the cutting edge and at the same time deliver a ton of ROI for every nickel spent and still get a warm smile from the CEO? Join us as we pick apart the roadblocks to CIO nirvana.

Speakers Include:



Gregor Bailar
EVP & CIO
Capital One



Audrey Pantas
Chief Security Officer
Xerox



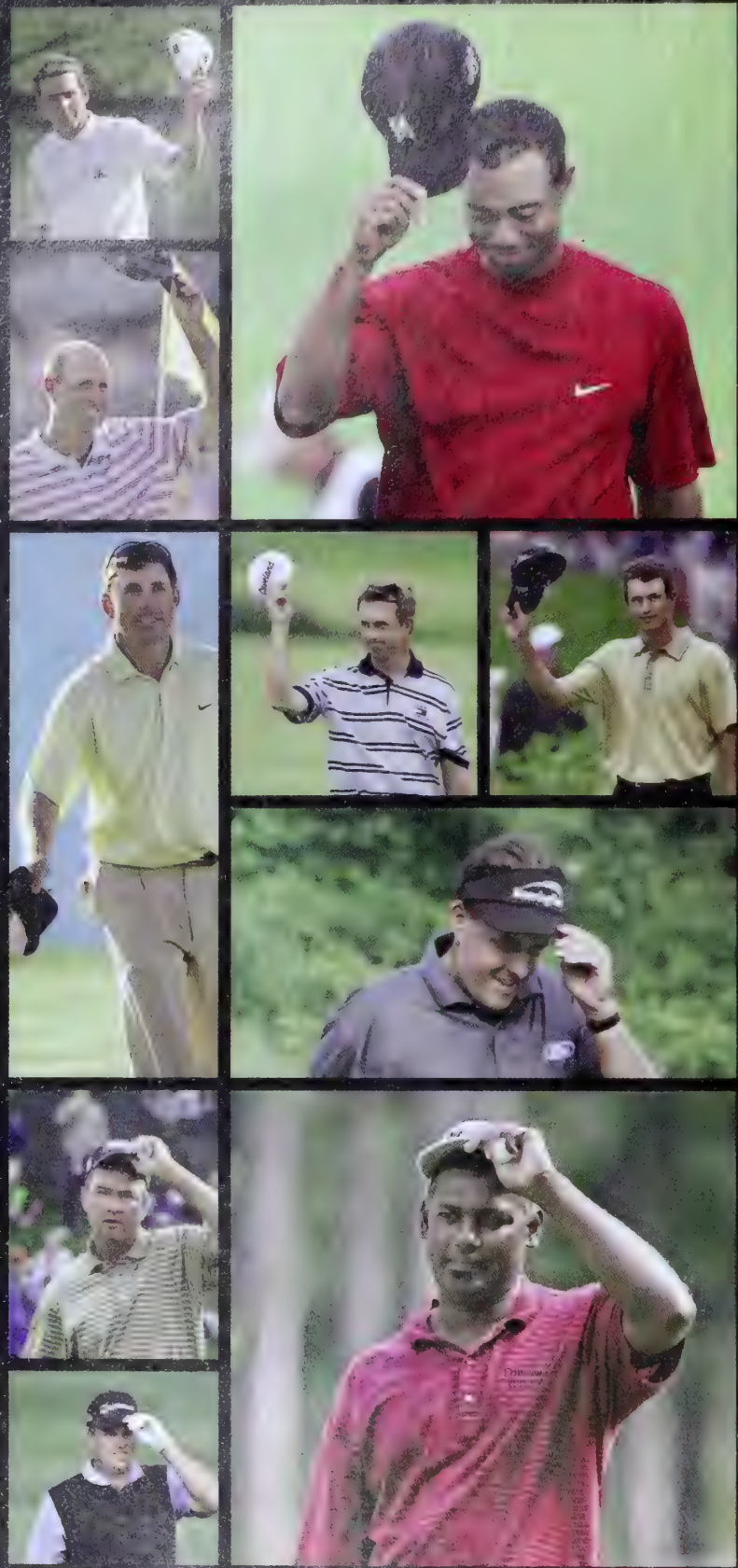
Linda Dillman
EVP & CIO
Wal-Mart

TO REGISTER CONTACT

Emily Lord at 212-367-2519; elord@forbes.com

FOR SPONSORSHIP INFORMATION CONTACT

Kim Harrell Sears at 212-724-9759; ksears@forbes.com



Here's to our corporate sponsors.

The PGA TOUR would like to thank you for helping us reach over one billion dollars in charitable contributions. On behalf of the more than 2,000 charities and countless lives touched along the way, we tip our hats.



ACCUSPLIT

Aloha

BOMBARD

BOSTON
HANNAH
INTERNATIONAL

BUICK
GOLF

Canoe

CAREY
Driving Success

CELEBREX
CELEBRATING SUCCESS

charles SCH

Cialis
PILLS FOR MEN

cingular

Coca-Cola

CRESTOR
rosuvastatin calcium

Delta

EA
SPORTS

FedEx

FedEx Kinko's

Forbes

GP
Georgia-Pacific

Golf Digest
The #1 golf publication

GOLF
MAGAZINE

HUMANA

IBM

JELD-WH
WINDOWS & DOORS

JOHN DEERE

MasterCard

mbna

Michelob
ULTRA

National

Nationwide

NATURE VALLEY
NATURAL FLAVORED CANDY

OMEGA
www.omegawatches.com

OUTBACK
STEAKHOUSE

PALMER & CAY
Established 1793

PARTNERS
CLUB

PG&E

PRICEWATERHOUSECOOPERS

SOUTHERN
COMPANY
Energy to Serve Your Business

ST PAUL
TRAVELERS

stryker
Physiotherapy
Associates

WASTE MANAGEMENT

The
Weather
Channel
weather.com

WESTIN
HOTELS & RESORTS

SATELLITE
RADIO



INTRODUCE THE KIDS TO YOUR INNER-CHILD.

HOLIDAY CELEBRATION PACKAGE *from* \$339* INCLUDES \$100 DAILY FOOD AND BEVERAGE CREDIT

This Holiday Season give a gift the whole family can share — getaway to the Fairmont Scottsdale Princess. Our Holiday Celebration Package includes one night's stay in a luxurious Deluxe Room, Kid's Club for ages 5 – 12, Teen "Hang-Out" Room, full use of our Fitness Center, plus a daily \$100 food and beverage credit.** We will also be hosting special holiday activities December 18 – 31. And each night at turndown, you will find a complimentary holiday gift waiting for you on your pillow. Our Holiday Celebration Package starts November 18, 2005 and continues through January 12, 2006.

THE *Fairmont*
SCOTTSDALE PRINCESS

Places in the heart.

The Fairmont Scottsdale Princess, 101 North at Scottsdale Road, Scottsdale

For information and reservations contact us at 888-265-0633. www.fairmont.com/scottsdale



A member of
The Leading Hotels of the World

* Rate is per room, per night based on double occupancy with a maximum of 4 people per room. Kids 18 and under stay free with an adult. An additional \$30 charge will be added for third and fourth persons over 18. Packages and rates subject to change. 11.92% room tax not included. ** Food and beverage credit can be used daily towards breakfast, lunch, dinner or snacks at any of our fine dining locations. Complimentary Fitness Center does not include Willow Stream Spa. Golf and Spa Packages also available.

Life

VACATION PROPERTY

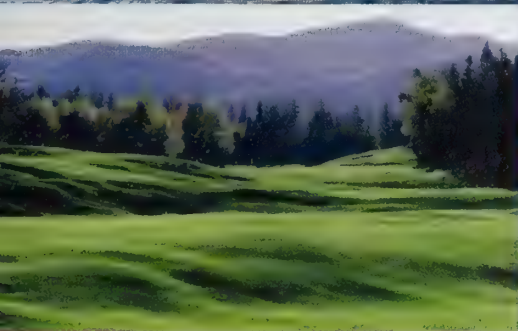


Eden at a Discount

Alexander Graham Bell thought **Cape Breton Island** was swell.
So will anyone interested in paradise at \$850 an acre | By Monte Burke



Four-season sports: Cape Breton offers salmon fishing on the Margaree (left) and golf on Highlands Links, Canada's top-rated course (bottom left).



WHEN ALLEN AND SUZI MOORE OF NEWBURYPORT, Mass. went searching for a vacation home, they wanted a place relatively close by, where they could hunt and fish in rustic simplicity. They already owned a house on Martha's Vineyard, but that island seemed to be getting too crowded and too pushy with its ski-and-loafer cocktail parties. After months of research, in 1986 they visited Cape Breton, an island connected by a causeway to the Nova Scotia mainland. It's a four-hour drive from Halifax

(and an hour-and-a-half flight from Boston). A year later Allen, an architect who has designed other people's vacation homes in St. Bart's, and Suzi, a bird-dog trainer, found their Walden: a cozy three-room cabin on the banks of Cape Breton's Margaree River, some of the finest Atlantic salmon water in North America.

They've since planted a raspberry patch and apple and plum trees on their 10 acres, and have added two cabins, one of which they use as their master bedroom and the other "for grandchildren and bad dogs," says Allen. They spend part of their sum-

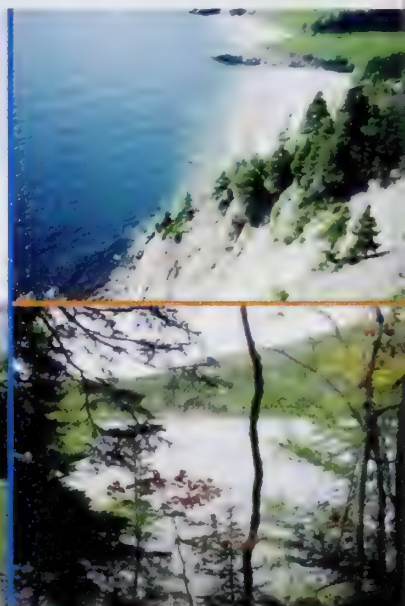
mer and fall in Cape Breton, and will be there even more when Allen retires at the end of the year. Their favorite time is foliage-rich October. "On rainy days we fish for Atlantic salmon," he says. "And on sunny days we go after woodcock and grouse."

The Moores got in early on Cape Breton, the long-overlooked, easternmost part of the peninsular province of Nova Scotia, whose mainland has been a hot real estate ticket since the early 1990s. Mainland Nova Scotia was said to feel like New England 50 years ago, a friendly, uncrowded maritime paradise with vast tracts of cheap, desirable land. It was discovered by wealthy Americans and Europeans (mostly Germans), who showed up

The mainland has been A HOT REAL ESTATE TICKET since the 1990s.

tannin-stained the color of a single-malt Scotch, flows from highlands resembling those in Scotland, the mother country of many Cape Breton residents. Its upper reaches have the intimate feel of a Catskill trout stream. Lower down, before the river empties into the Gulf of St. Lawrence, the pools—with names like Seal and Snag—broaden, requiring long casts with big rods.

The Margaree is public, like all salmon rivers in the province, but fishing here is a courteous, festive affair. Locals and "from-



For sale: the Rhinelander estate (above left) on Nova Scotia's mainland, \$1.3 million. Raw land on Cape Breton (right): \$430,000 buys 62 oceanfront acres (top).

in droves to buy waterfront property for \$200,000 an acre in Chester and other tony shore towns west of Halifax. But those mainland bargains are harder to find now, as prices have risen to \$850,000 a waterfront acre for prime locations, according to Claussen Walters & Associates, a realty company.

Cape Breton today is where Nova Scotia was a decade ago. Its oceanfront acreage, compared with the mainland's, goes for less than half the price; and a mile or two inland, it's cheaper still. Lots on the Margaree River are available for \$850 an acre, says Realtor Michael Coady.

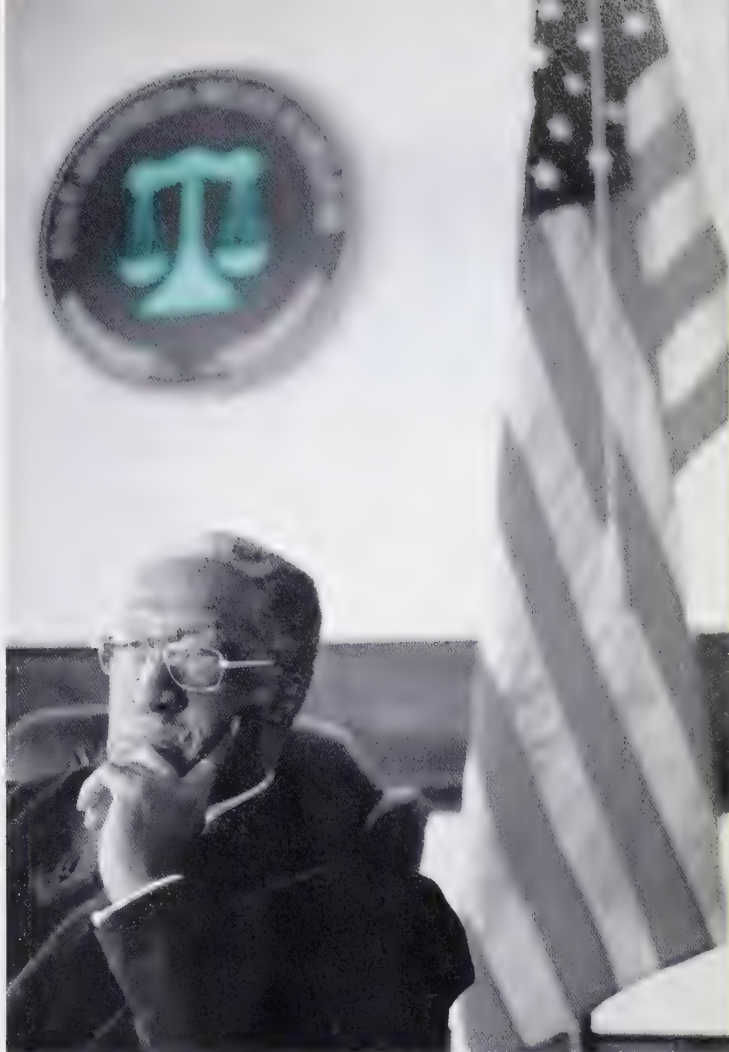
"The Margaree River is so bountiful and interesting," says Allen. "There's really no reason to go anywhere else." The river,

always" share the pools, moving along in an affable conga line, so that everyone gets a shot at the prime salmon. Anglers make a cast, swing their fly through the pool, then take a step downstream. A catch is cause for congratulatory handshakes all around and occasionally a dram of Glen Breton Rare, a local single-malt whiskey, the only one made in Canada.

Fishing isn't the only attraction. Cape Breton has endless miles of good woodcock and grouse cover. Highlands Links golf course in Ingonish Beach is the top-rated course in Canada, more than worth its \$71 greens fee. Ceilidhs (pronounced "kay-lees"), Scottish fiddle dances, are held weekly in old barns across the island. Internationally known fiddlers Ashley MacIsaac and Natalie MacMaster hail from Cape Breton and perform there every year. The Cabot Trail, named for John Cabot, the Italian explorer who discovered the island in 1497, winds around the dramatic coast and offers access to Cape Breton Highland National Park, a more remote version of Maine's Acadia.

As with most "last best places," creative folk found it first. The notorious American sculptor Richard Serra has a house here. So

The verdict.
Acquisition of the law firm's new offices in New York and L.A.
Disposition of the firm's surplus space in Washington, D.C.
Strategic planning for its expansion in London and Chicago.



The right business partner
for all your real estate needs.

CBRE
CB RICHARD ELLIS

#1 in commercial real estate worldwide
www.cbre.com 888.707.3908



Seventeen years after inventing the telephone, Alexander Graham Bell fell in love with Cape Breton and built an estate—Beinn Bhreagh (1893). Here he experimented with man-carrying kites, hydrofoils and sheep breeding.

does composer Philip Glass. But perhaps the most famous early settler was Alexander Graham Bell, who fell in love with Cape Breton because it reminded him of his home country of Scotland. Weary of telephone patent battles in the U.S., Bell and his wife, Mabel, in 1893 built a 37-room summer home styled after a French château. Beinn Bhreagh (pronounced “ben vreyah,” Gaelic for “beautiful mountain”) still stands on a promontory that juts into the Bras d’Or Lakes near the village of Baddeck.

“I have got work to do, so much work on so many subjects that I want many more years of life to finish it all,” Bell said. He spent most of his final 37 years on Cape Breton, working on projects as varied as the vacuum jacket (a forerunner of the iron lung), man-carrying tetrahedral kites and, most famously, the hydrofoil.

Based on the movements of a water spider, Bell’s hydrofoil was shaped like a submarine and sported two large airborne propellers on either side of the cockpit. As it gained speed, it rose up out of the water on four sets of blades, like the slats found on

venetian blinds. At cruising speed, these blades were its only points of contact with the water. In 1919, at the age of 72, Bell set a marine speed record of 70.86mph on the Bras d’Or Lakes with his HD-4 hydrofoil, a replica of which resides, along with many of his personal artifacts, in the museum of the Alexander Graham Bell National Historic Site of Canada, across the lake from his house. Bell died at Beinn Bhreagh in 1922 and is buried on the grounds. His 100-year-old granddaughter, Mabel Grosvenor, the last living family member to have known Bell personally, still summers at the estate.

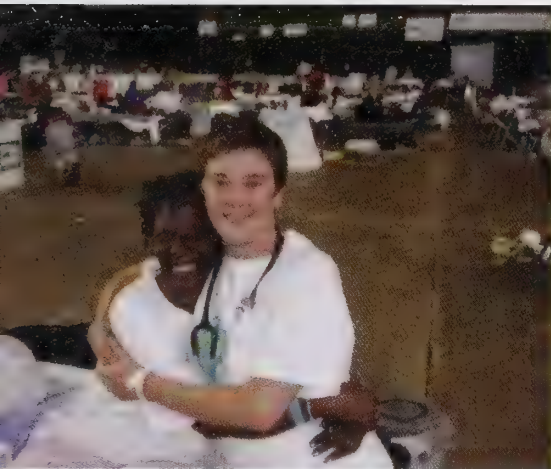
On the Cape

Lodging: The Normaway Inn & Cabins, opened in 1928, sits on 500 acres near the Margaree River. Excellent dinners include lamb and locally grown vegetables. Ceilidhs are held weekly. There’s a private airstrip nearby. Rooms in the inn rent for \$84 to \$110; separate cabins are \$118 to \$144.

Salmon Guide: Ed McCarty, a former stained-glass maker, moved up from Massachusetts in 1974 and never looked back. He knows every pool and rock in the river. (902-756-2442; simpcart@auracom.com.)

World Economic Forum forming public-private partnerships to build a better world

In the devastating wake of Hurricane Katrina, private sector volunteers from World Economic Forum member companies and others partnered with local authorities and the Disaster Resource Network to provide victims with:



- **Emergency medical care**
- **Computers, cell phones and wireless technology**
- **Engineering and logistical assessment teams**

The World Economic Forum created the Disaster Resource Network in 2001 to mobilize the resources of the international business community to rebuild the lives and livelihoods threatened by natural and man-made disasters.

The U.S. Chamber of Commerce and Center for Corporate Citizenship designated the Disaster Resource Network to coordinate contributions from the international business community to the Hurricane Katrina relief effort.

The World Economic Forum is an independent international organization committed to improving the state of the world by engaging leaders in partnerships to shape global, regional and industry agendas.

Incorporated as a foundation in 1971, and based in Geneva, Switzerland, the World Economic Forum is impartial and non-profit; it is tied to no political, partisan or national interests.

For more information, please visit our website: www.weforum.org



Soothing Savage Breasts

How Manhattan's premier music school became a mecca for the Wall Street crowd | By Tomas Kellner

WHEN BILLIONAIRE HEDGE fund manager Bruce Kovner arrived in New York City in the early 1970s, long before he traded his first futures contract, he signed up for evening courses in piano and harmony at the Juilliard School of Music. "I feel [music] as a kind of aural matrix of many dimensions," he says. "I often see financial things in a kind of spatial matrix. They aren't the same, of course, but they feel close enough to be interesting."

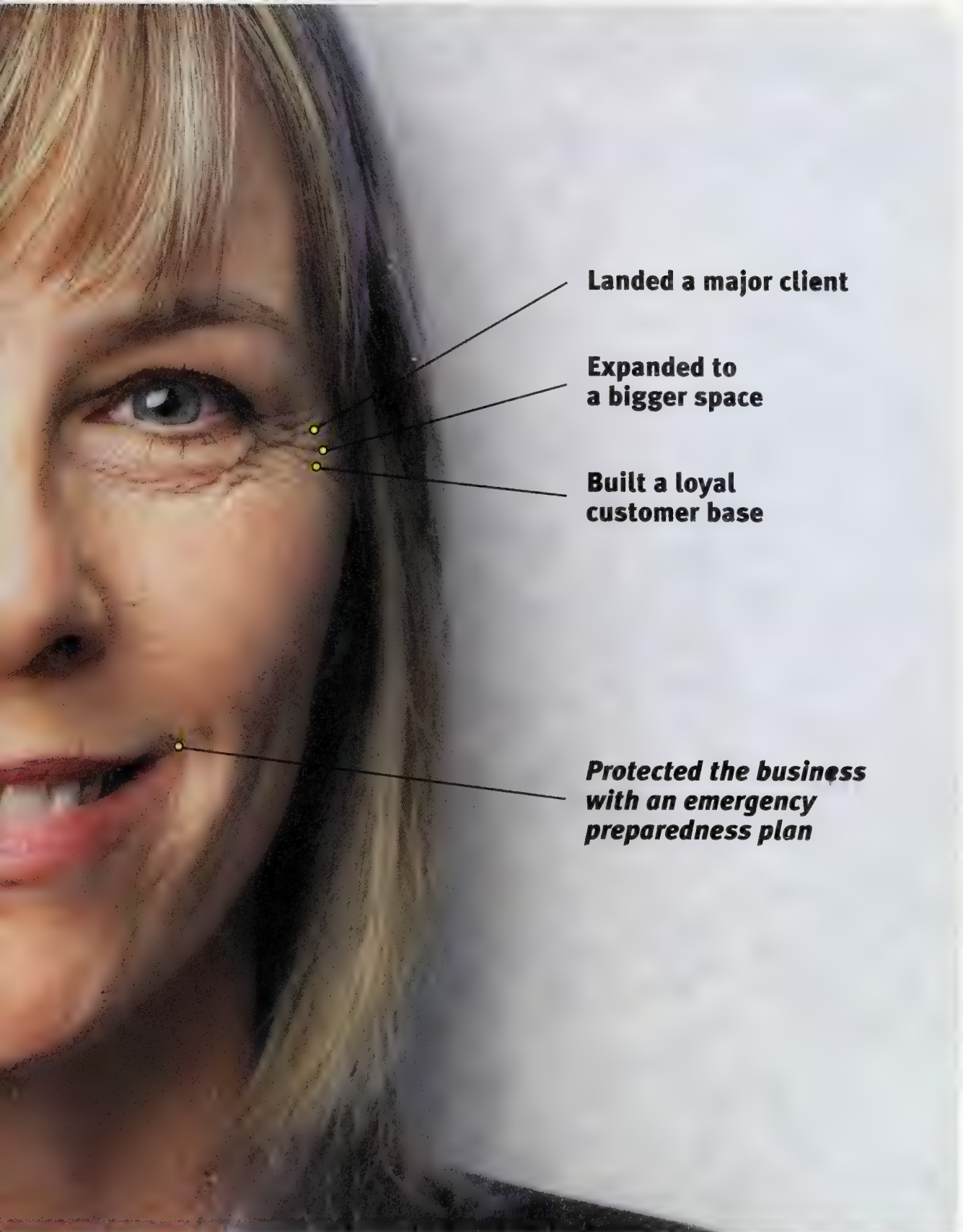
Kovner, who now chairs Juilliard's board, says music helps him "let go." He

recently rebuilt a town house on Manhattan's Upper East Side with a soundproof music room so he can make a "big sound" late at night playing Beethoven sonatas. "Like a tough game of chess, playing the piano takes up a lot of mental space," he says. "Can't worry too much about other things."

What is it about music that connects it to other, seemingly unrelated fields? You see gifted amateur musicians cropping up in physics (Albert Einstein played violin), statesmanship (Henry VIII composed ballads, Condoleezza Rice plays piano), medicine (Albert Schweitzer

played the pipe organ) and engineering (Alexander Graham Bell also played piano). For some reason having to do with perhaps, with the similar mix of mathematical and creative abilities required, music crosses paths frequently with Wall Street. Fed Chairman Alan Greenspan studied the clarinet at Juilliard for two years in the 1940s. Charles O. Prince, chief executive of Citigroup, studied opera at Juilliard. James Wolfensohn, former president of the World Bank, is a cellist.

"Music is numbers made audible," says Juilliard President Joseph W. Polisi, quoting the Roman philosopher



Landed a major client

**Expanded to
a bigger space**

**Built a loyal
customer base**

***Protected the business
with an emergency
preparedness plan***

Ad
Council.org

With *ready.gov*, the business you've worked so hard to build can be as prepared as possible should a disaster strike. Download free, easy-to-use checklists, templates and other resources to help you develop an affordable plan. Protect your life's work—start or update your plan today.



Becoming a success is hard work. Protecting it isn't. www.ready.gov

Boethius. "It's really true."

Juilliard was founded in 1905 (for a listing of centennial events and concerts, visit www.juilliard.edu) by music teacher Frank Damrosch and James Loeb, a founding partner of the Wall Street bank Kuhn Loeb & Co., now part of Lehman Brothers. The school, then called the Institute of Musical Art, opened in the Lenox Mansion in lower Manhattan. (This building was torn down to make way for another that started out as an office for book publisher Macmillan and is now the headquarters of FORBES.) In 1924 the school got a \$10 million bequest from textile merchant Augustus D. Juilliard and changed its name.

Today 800 students take undergraduate and graduate classes in music, drama,

[fund manager's] job is to see new patterns. You have to figure out whether they are really new or just a variation."

Barry Cohen, director of alternative investments for Bear Stearns, spent the last four semesters at Juilliard taking classes in composition. Cohen, 53, who studied music with Leonard Bernstein as an undergraduate at Harvard and has a J.D. and an M.B.A. from that same university, has composed 40 pieces, most of which have been performed. "Juilliard has a lot of prestige, but it's certainly not like owning a yacht," he says, addressing the vanity factor

of a wealthy moneyman attending an arts school. "I mean, I'm sitting in the class and you can tell that there are some people who don't own a computer because they can't

afford one."

Cohen uses an Excel spreadsheet to write in Arnold Schoenberg's atonal 12-note system. "I assign numbers to notes and manipulate them," he says. "The rest is using variations and permutations of themes." He has musical software on his laptop that allows him to jot down ideas, and he does some 15 hours of homework each week in his digital home studio—on top of 65 hours at the office.

Polisi says the school imbues its graduates with discipline, creativity and an ability to "explore the edges of failure." Once students attain excellence, however, some "become paranoid about achieving that level again and again. That's when our people go to other fields."

That's a polite way of putting it. The grim reality is that there are a lot more youngsters aspiring to be concert musicians than will ever make a living that way. Juilliard sends 110 instrumentalists a

Tickling The Equities



CHARLES O. PRINCE
Chief executive, Citigroup
Composer



JAMES WOLFENSOHN
Former World Bank president
Cellist



ALAN GREENSPAN
Federal Reserve chairman
Clarinettist



JOSEF ACKERMANN
Chairman, Deutsche Bank
Pianist



BRUCE KOVNER
Juilliard board chairman
Pianist

year out into the job market. But openings in the top ten philharmonic orchestras in the U.S. add up to perhaps 100 a year. Some of the students who don't make it onto the concert stage eke out a living teaching music or playing at weddings. Some just quit the field.

Juilliard-trained Yee-Pin Wu and her husband, composer Philip Lui, opted out of music. "I really thought I was pretty good; I was performing for many years," says Wu. "But when you get to the school, you come to doubt yourself. I felt so old, even though I was only 16. I began asking how was I going to make it as a pianist. The return on the intensity in any other area is on a totally different scale." In 1987 Wu and Lui, then age 33 and 38, respectively, became entrepreneurs. Today their company, Knoa Software, is grossing "under \$10 million" a year.

Wu says Juilliard taught her how to handle setbacks. "It's all about performance," she says. "Everything else is secondary. By the time you get onstage, you have to be able to handle anything, even if the whole room comes tumbling down."

Julie Choi, founder and president of the New York executive search firm Choi & Burns, earned both her undergraduate and graduate degrees from Juilliard. She started playing the piano when she was 4. Her immigrant parents, she says, "did all kinds of gymnastics" to buy her a Steinway grand.

But Choi, 43, doesn't play anymore. "I wanted to be the best," she says. "But the reality of it—I kind of quickly assessed right after graduation—was that I was not going to be playing at Carnegie Hall." She spent a few years teaching at Juilliard and working part-time, then left music to start the search firm.

Many with day jobs take "CREATIVE BOOT CAMP," paying up to \$600 per class.

ballet and other performing arts. Alumni include cellist Yo-Yo Ma, trumpet player Miles Davis and actor Kevin Spacey. They've won 100 Grammys, 22 Oscars, and 12 Pulitzer Prizes. Half the members of the New York Philharmonic hold Juilliard degrees.

Another 750 students, many with day jobs on Wall Street, in science and in medicine, take night courses with Juilliard faculty in what's known as "creative boot camp," paying up to \$600 per class. Brandon Fradd, 43, founder of the biotechnology hedge fund Apollo Medical Partners (\$130 million under management) is a boot camp survivor. Fradd, who has an M.D. from Harvard, spent a year studying counterpoint, the interweaving of two melodies into a single composition (like Bach's Brandenburg concertos). "People react to an implied pattern that isn't literally there," he says. "When you look [at the pieces], it's hard to see, but when it all comes together, you suddenly feel it." Has studying counterpoint helped him in his work? Not directly. But it has sharpened his ability to see patterns: "The rules of markets are always changing, and the



SemGroup, L.P. moves energy molecules and helps ensure resources are reliable, accessible and as economical as possible. We provide seamless services between energy producers and end users so even the smallest corners of life can be enhanced each day. SemGroup keeps energy in motion, and that responsibility is a privilege.

www.semgrouplp.com

DAWN BREAKS.
NORTH AMERICA COMES ALIVE.
CARS START, LATTÉS STEAM,
FACTORIES HUM, PLANES SOAR.

CRUDE OIL • REFINED PRODUCTS • NATURAL GAS LIQUIDS • NATURAL GAS • ASPHALT



Forbes



Instant Advertiser Information To receive *free* information from Forbes advertisers visit their web sites or call the listed phone numbers

Forbes Magazine November 28, 2005

Automotive

- BMW
1-800-334-4BMW
www.BMWusa.com
- Cadillac Motor Division
www.cadillac.com
- Chrysler 300C
www.chrysler.com/300C
- Ford Motor Company
www.ford.com
- GMC Truck: Envoy
www.gmc.com
- Toyota
www.toyota.com/usa

Best Practices in Managing Outsourcing Relationships

- Employeease, Inc.
www.employeease.com
- Everest Group
www.everestgroup.com
- Genpact
www.genpact.com
- Luxoft
www.luxoft.com
- Outsourcing Center
www.outsourcing-center.com
- Perot Systems, Inc.
www.ps.net

Business Classified

- Access China Tours
1-800-788-1399
www.accesschinatours.com
- ARBOC, Inc.
1-561-621-7110
- Capital Asset Management
1-800-710-0002
- Capital Solutions
1-800-499-6179
www.4capitalsolutions.com
- Capstone Business Credit, LLC
1-212-755-3636
www.capstonetrade.com
- Dali Prints
1-800-275-DALI
- E-Chair USA
1-618-407-3575
www.e-chair.com
- Gallery Art
1-888-932-6166
www.gallart.com
- Global Business Funding
www.globalbusinessfunds.com

- Hemlock Brook Alpacas
1-716-372-8968
- Holiday Timeshares Resales
1-800-704-0307
www.holidaygroup.com
- John Christian Designers
1-888-646-6466
www.ringbox.com
- Leasing Institute of America
1-800-429-3335
www.leasinginstitute.org
- Life Quotes, Inc.
1-800-441-0072
www.lifequotes.com
- National Watch & Diamond Exchange
1-215-627-5626
www.nationalwatch.com
- Planet Office Furniture.com
www.planetofficefurniture.com
- Pre Construction.com
1-877-Pre-Sale (877-773-7253)
www.PreConstruction.com
- Publisher's Guild
1-800-369-1646
- Sayersbrook Bison Ranch
1-888-854-4449
www.sayersbrook.com
- Steven Sears CPA/Attorney
1-949-262-1100
www.searsatty.com
- The Diamond Maven.com
1-800-435-2872
www.thediamondmaven.com
- The Scribes Ink
1-860-796-2955
- Venta Air-Washer, LLC
www.venta-airwasher.com
- Worldwide Business Consultants
1-800-733-2191
www.corbettandkish.com

Business Services

- IBM BCS
1-800-IBM-7080
www.ibm.com/innovation

Computer/Technology

- Sybase
www.sybase.com

Enterprise Document Management

- Fellowes
www.fellowes.com

- International Paper
www.hp.com/go/everydaypapers

Financial Services

- E*TRADE Financial
1-800-731-5220
www.etrade.com
- T. Rowe Price FlexChoice Rollover IRA
1-888-554-6446
www.troweprice.com/rollover

Great Places to Work

- SemGroup, L.P.
www.semgrouplp.com

Managing the Mobile Workforce

- Best Buy
www.BestBuyInsider.com
- NEC Unified
www.necunified.com/mobility

Ontario, CA: The Gateway to Big Business

- City of Ontario
www.ontariocalifornia.us
- Southern California Edison
www.sce.com

PGA Tour Charitable Giving

- Southern Company
www.southernco.com

The Corporate Case for Healthy Living

- Aetna
www.aetna.com
- American Diabetes Association
www.ada.org
- Eli Lilly
www.lillydiabetes.com
- Pfizer
www.pfizer.com

Travel

- British Airways
1-800-AIRWAYS
www.britishairways.com

Life insurance rates drop to all-time lows

Call today for free quotes. Our new computer system will compare the rates of over 60 leading companies, reveal best buys to you.

Best Rates for Females

10-Year Term Life, Sample Monthly Premiums

Age	\$1,000,000	\$2,500,000	\$5,000,000
40	\$29	\$64	\$123
45	\$46	\$107	\$210
50	\$68	\$163	\$322
55	\$106	\$259	\$513
60	\$157	\$385	\$760
65	\$257	\$635	\$1,266
70	\$395	\$979	\$1,952

Best Rates for Males

10-Year Term Life, Sample Monthly Premiums

Age	\$1,000,000	\$2,500,000	\$5,000,000
40	\$30	\$66	\$127
45	\$46	\$107	\$210
50	\$73	\$175	\$345
55	\$114	\$277	\$549
60	\$188	\$462	\$919
65	\$329	\$814	\$1,623
70	\$661	\$1,644	\$3,282

Also available: 15, 20, 25, 30 year and level-premium-for-life plans

- ☒ Call 1-800-441-0072 right now for free quotes & advice
- ☒ Or visit www.insure.com for instant quotes
- ☒ **NEW!** Also quoting auto, health, home and more...

"...outstanding – as good as a Web site on insurance can possibly be."
Insurance for Dummies

"The best Web site I've found..."
The Dallas Morning News

"This solution has value for those who value immediacy and privacy."
U.S. News & World Report

"...this site is flush with useful features."
Forbes.com

"The premier Web site in terms of detail and ease of use..."
Yahoo! FINANCE

"You've cut my insurance premium in half!"
Katherine Havener

"Makes shopping for the cheapest insurance policy much easier."
Parents Magazine

"New source for best buys in insurance. One way to get to know the insurance market."
Kiplinger's Personal Finance

View instant quotes at **Insure.com**

☎ Or call 1-800-441-0072 for FREE quotes and advice

Ad Code: FORBS 11/05

NOTE: The sample Pennsylvania female and male rates shown above are not specific to any individual person or insurer. Please call 1-800-441-0072 or visit www.insure.com to obtain life insurance quotes specific to your health history profile. ©2005 Quotesmith.com, Inc., 8205 South Cass Avenue, Suite 102, Darien, Illinois, 60561 and Life Quotes, Inc., 32045 Castle Court, Evergreen, CO 80439. All rights reserved. CA agent #0A13858, LA agent #200696, MA agent #333509159. Quotesmith.com, Inc. dba Insure.com Insurance Services in CA under agent #0827712, in LA under agent #205078. Quotesmith.com, Inc. dba Insure.com Insurance Services, Inc. in UT under agent #90093. Quotesmith.com dba Insure.com and Life Quotes, Inc. in CO.

Forbes Business Classified

Business Finance

BANK SAYS 'NO'?... WE SAY 'YES!'

We'll pay you cash for your company's ongoing receivables within 24 hours. Approvals by phone. Personalized service. No upfront fees. No collateral required. References available. We are not brokers. Call today to CASH \$50,000 minimum to \$2,500,000. It's more affordable than you think.

Mr. Weil (CEO) 800-499-6179
(or 888-505-7332 for recorded information)
www.4capitalsolutions.com

Jewelry

JOHN CHRISTIAN DESIGNERS & CRAFTSMEN



Children's
Names & Birthstones



Anniversary Date

IN ROMAN NUMERALS!
December 11, 1998
XII XI MCMXCVIII

14K ANNIVERSARY \$750 Convert Your Date Online!, MOTHER'S \$450 UP TO 5 NAMES

FREE CATALOGUE RINGBOX.COM 1-888-646-6466

Art Wholesale

We Buy, Sell Fine Art & Collections.

Peter Max, Warhol, Neiman, Erte, Agam, Dali, Haring, Lichtenstein, Behrens, Britto, Fairchild, Fazzino, Hofmann, Schwaiko, Maimon, Tarkay, and More - Over 20,000 Artworks in Inventory.

Gallery Art.

20633 Biscayne Blvd. Aventura, Fla.
(888)932-6166 www.Gallart.com

China Tours



Access China Tours

Superior Deluxe Packages
20 Itineraries From 9 To 22 Days
Private & Business Trips

1-800-788-1399

www.AccessChinaTours.com

Corporate Retreat

Unique
SayersBrook Bison Ranch/Resort
Beautiful Ozark Mountains. 90 minutes South of St. Louis. Sporting clays, bird hunting, machine guns, Humvee trails, fishing-over 3000 acres. Security! Gourmet dining. Groups of 7-22.
www.sayersbrook.com or 888/854-4449

Capital Available

ATTORNEYS ACCOUNTANTS DEALMAKERS Public or private

funds available for expansion of projects with excellent management and growth potential.

ARBOC INC. 561-627-7110

Pre-Construction

PreConstruction.com Real Estate Presales

Best in U.S. & Islands
Condos & Houses
Resales also Available
Buy • Sell • Invest

877-PRE-SALE
www.PreConstruction.com



Ghost Writer

Have you always dreamed of writing a book but can't find the time?

Allow us to make your dream come true.

Call Aaron D. Lewis at
The Scribes Ink, the leader in professional writing services

860-796-1955

or email, scribesink@aol.com

Office Furniture

Authorized Online Dealer for
HON & BASYX
Office Furniture



★ Free Delivery
★ Extensive Online Catalog
★ Volume Discounts

Basyx Mesh Back
Chair Only \$279

PlanetOfficeFurniture.com

Business Financing

GLOBAL BUSINESS FUNDING:

Need capital for operations, growth or new equipment? Any type of business loan, new & used equipment leasing, factoring, vendor programs, Commercial RE. All Credit Quality (A-D), all business sizes from start up to Fortune 500. Apply online at

<http://www.globalbusinessfunds.com>
Tel: 231-547-0155

Forbes

Forbes

THE FORBES COLLECTOR

Masterpiece or Fake? Bargain or Ripoff?

Let **The Forbes Collector** teach you the difference. From American landscape painting to modern photographs to baseball memorabilia, **The Forbes Collector** will show you where the hidden gems are. Don't miss this insider's guide. Subscribe and get 4 Free Reports. Call toll free:

1-877-733-7876 or go to
www.forbes.com/collector

Forbes

SLAM DUNK INVESTING IN OIL

Curtis Hesler, Editor of **Professional Timing Service**, recommended Enerplus Resources (ERF) at \$17. It's now \$35, and still pays a 10% dividend. He believes that there are 4 major opportunities--crude oil, gold, stocks and bonds--that will make and break millionaires. Subscribe today and get his free special report, **Oil: Slam Dunk Investing for Income & Capital Gains**.

Call toll free 1-877-733-7876 or
www.forbesnewsletters.com/pts

Forbes Subscriber Service

To plan your order, to renew, change your address or other customer service, visit our site at...

www.forbes.com/customerservice
or call...800-888-9896



Diamond Manufacturer

selling to the public all shapes and qualities diamonds, AGS and GIA diamonds. Ideal Cuts, Hearts and Arrows, and Fancy Colors.

Best Prices. Satisfaction Guaranteed.

Our 28th year.

www.thediamondmaven.com
1-800-435-2872 1-212-944-8491
info@thediamondmaven.com

Forbes Business Classified

For Advertising Information and Rates Contact:

Media Options:
1-800-442-6441
mediopt@aol.com

You can
charge
your ad



Forbes

Business Classified

Humidifier & Purifier Two in one

Choose the best.
No need for filterpads.
It's so simple.

Patent-No. 5,894,001

Patented German engineering. Worldwide unique. Perfected with the newest cold water evaporation technology. 100% made in Germany. 10 year warranty. 100% satisfaction.

www.venta-airwasher.com



Red dot design
award winner 2003.

The "Wunderding" so simple - so efficient

7 outstanding benefits make Venta-Airwasher Europe's #1 bestseller for Humidifiers/Purifiers:

1. No filterpads, no wicks, no cartridges needed. Hassle free. It's so simple.
2. No problems with white dust.
3. No ozone that might cause asthma problems.
4. Extremely hygienic and easy cleaning. No bacteria-ridden filterpads or wicks.
5. Easy, problem-free maintenance; robust and durable construction.
6. Invisible humidification by cold evaporation, recognized as the best possible technique.
7. Pure water evaporates; impurities, stale tobacco smoke and odors are trapped in the water.

More than 10,000 doctors have bought Venta-Airwashers for themselves and their families.

Many famous customers are already enjoying the benefits of the Venta-Airwasher: e. g. Porsche, adidas, Sony Europe, Nestle, McDonalds, Audi AG, Wells Fargo, Volvo North America, The New Yorker, Carnegie Hall (40 units).

Call toll free: 1-888-333-8218

BED BATH &
BEYOND®

Available
at selected
retail stores.

ACE
Hardware

True Value. LINENS-N-THINGS

Test the Venta-Airwasher cost-free.

If there is no dealer close to you, try the Airwasher in your home for 14 days. If you are not fully satisfied, we will have the Airwasher picked up from your home and your credit card will not be charged. Free shipping anywhere in the US. Please ask for a free brochure.

venta®
AIRWASHER

Forbes Business Classified

Ranch Real Estate

Southeastern Oregon Historic Highlands Cattle Ranch



One ownership since 1880's, 56,552 deeded acres. 140,000 BLM acres, 70 miles year round creek, 5 reservoirs, 2200-3000 cow capacity, Elk, Deer, Antelope, Upland Birds and Waterfowl. \$20 million

Wilburn Ranch Brokerage 541-421-5300

Dali Prints

RARE DALI PRINTS

If you own, or are considering the purchase of a Salvador Dali print...

Our exclusive catalog features full-color pictures of more than 500 signed limited edition Salvador Dali prints. Each print is fully documented by **Albert Field**, curator of the Salvador Dali Archives, and guaranteed authentic. The catalog, *Salvador Dali: A Retrospective of Master Prints*, is a must for anyone interested in works signed by Dali. Call now and we will rush you a free copy of "The Salvador Dali Collector's Newsletter". (\$15 per issue)

SALVADOR DALI



A RETROSPECTIVE OF MASTER PRINTS

1-(800)-275-3254

ask for Dept. FM

31103 Rancho Viejo Rd. # 2-193, San Juan Capistrano, CA. 92675
http://www.daligallery.com . FAX 949-373-2446

Timeshare

TIMESHARES

SAVE UP TO
70%
off retail!

- BEST RESORTS, PRICES & WEEKS
- GREAT RCI & II EXCHANGES
- FREE CATALOG

CALL 800-640-7639

HOLIDAYGROUP.com/fm

Investment Software

Proven Software Selects Winning Stocks for You

All New **Value Stock Selector™** software is a hit with investors. Runs quietly in the background on your computer while combing through the financial statements of thousands of companies. Then it shows you **what to buy, what to sell, and when to do it.** Based on the methods of super investors **Warren Buffett and Benjamin Graham.** EASY TO USE

Download **Value Stock Selector NOW** at
www.ValueStockSelector.com

Capital Available

Working Capital

P.O./ Trade Finance/
Letters of Credit
Domestic and International
Accounts Receivable Factoring
Capstone Business Credit, LLC

212-755-3636
212-755-6833 (Fax)

Forbes

Business Classified

For Advertising
information and
Rates Contact:

Media Options
1-800-442-6441
mediopt@aol.com

Forbes Subscriber Service

To plan your order, to renew,
change your address or
other customer service,
visit our site at
www.forbes.com/customerservice
or call...800-888-9896

Forbes

Forbes Lehmann Income Securities Investor

Richard Lehmann is Forbes' secret weapon on bonds, convertibles and preferreds. His high-yielding model portfolios have beaten stocks for the last five years! Let Lehmann show you how to build wealth safely with high-yielding fixed income securities. Subscribe today and receive three **FREE** special reports.

Call toll free 1-877-733-7876 or
www.forbesnewsletters.com/lehmann

Forbes

The Forbes Stock Market Course

The Forbes Stock Market Course is an easy-to-read common sense guide to building wealth. It's a perfect holiday gift for family and friends...for anyone who is interested in investing. The newest edition gives you a better understanding of everything from Financial Statements, Fundamental and Technical Analysis, Stocks and Bonds to Futures and Options - Mutual Funds to Hedge Funds. As a reader of *Forbes Magazine*, you are invited to take advantage of a special holiday price of just \$99 (save \$50 off the regular \$149.95 price).

Go to **www.forbesinc.com/smc** and place your order now or call 1-800-429-0106

Forbes

MAXIMUM PROFIT/MINIMUM RISK

Each month **Forbes Special Situation Survey** selects ONE stock it believes is poised to beat the market, (Providian Financial up 51% in 12 months). Consistent record of profits plus advice on when to take gains, cut losses. Subscribe risk-free at \$295. Save 57%. Get 14 important Special Reports plus binder.

Call **877-898-1265** or go to
www.specialsituation
survey.com/frb
Use Savings code: **JS05SAVE**

Newsletter

THE WORLD IS SHRINKING

Nanotechnology is changing our world...our clothes, the military, science, autos, medical technology...everything! It's the investment opportunity of a lifetime for those who buy tomorrow's superstars today. The month **Forbes/Wolfe Nanotech Report** puts you on the right side of history, separates the true leaders from the overhyped. Subscribe risk-free at just \$195. Save 67.5% and get 2 valuable Free Reports. Satisfaction guaranteed by Forbes. Call **800-523-7967** or go to **www.forbeswolfe.com/frb**
Please use savings code **JN5SAV**

You can charge your ad



Forbes

Business Classified

Investments

**RAISING ALPACAS = \$\$\$**

World's Finest Livestock Investment
can return
50% - 75% annually!

Raising Alpacas for foundation breeding stock and fleece is a sound, renewable, long term multi-million dollar business that can return huge profit for many years.

Average yearly income per adult female	\$10,000
Productive Years	15-20 years
Yearly Feed and Maintenance	less than \$200
Labor per day (herd of ten)	30 min

Simple Shelter & four foot woven wire fencing.
Clean, Gentle, and easy to raise.
Huge Growing Demand Nationwide.
Limited Growth Protects Business.
Great Tax Benefits and Lifestyle.

Hemlock Brook Farm

William or Kenda Stern

473 Wolf Run Rd. • Cuba, NY 14727

Tel. 716-372-8968 • www.hemlockbrookalpacas.com

Business Gifts

America's #1 Gift Basket Website

Over 2500 gourmet gifts just a click away.

- 100% Satisfaction Guaranteed
- Nationwide Delivery
- Free Gift Packaging

- Fast Overnight Delivery Available
- Secure Shopping
- Free Catalog Available

Order online at
www.DelightfulDeliveries.com
or call 1-877-442-6333
Code FR111405



BBB
Ranked #1
by Alexa

DelightfulDeliveries.com
Your Trusted Source For Corporate Gifts

Business Opportunities

Business Opportunities

**Own A
Private Bank**
800-733-2191

\$25,000 PER MONTH POTENTIAL +++

Our dealers are doing it so can you! Our successful formula that generates income from day one will amaze you. Investment of \$14,900 normally recovered in the first 30 days or less.

Call: 1-800-399-0892

Watches

NATIONAL WATCH & DIAMOND

• BUY • SELL • TRADE
OVER 300 PRE-OWNED
ROLEX IN STOCK
also Cartier, Breitling & Tag
LARGEST SELECTION OF
CERTIFIED DIAMONDS
800-8-WATCHES
Our Web Site: nationalwatch.com

Chastnut Streets, Phila. PA WWW is not an official sales person

Office Furniture



Premium Ergonomic Task Seating

Full features, mesh back
Internet special - **\$399.⁰⁰**
plus \$30.⁰⁰ shipping

www.e-chairusa.com

the e-chairUSA 866-474-8748

Business Opportunities

LAWSUIT PROTECTION

Domestic or Offshore Solutions
Privacy / Free initial consultation
Protect Business & Personal Assets

800-710-0002

Visit www.Assetprotection.com

Legal Services

CORPORATIONS

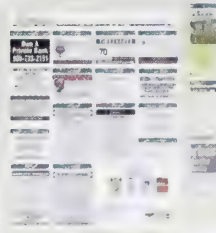
- NEVADA/OFFSHORE
- LLCs/TRUSTS
- BANKING/PRIVACY
- ASSET PROTECTION

(800)621-2920

\$9900
plus fees

Forbes

Business
Classified



For Advertising Information and Rates Contact:

Media Options:

800-442-6441

mediopt@aol.com

You can charge your ad



Success, Power, and Freedom Equipment Lease Brokerage

Learn how to tap a \$220 billion industry from the world's authority in leasing. Low risk, high yield, low overhead, and turnkey.

Mention ad for discount

www.leasinginstitute.org

800-429-3335

New Mexico Business Gem

Busy natural "pharmacy". Thriving retail store, national/international sales via catalog and extensive web site. Est. 1983. Market is growing along with aging boomers. 1.2M annual revenue, net \$150K. Asking \$695K plus inventory. Inquiries to KDWHoward@hotmail.com

Health/Back Pain

BACK PAIN?

**There is
an answer!**

Send for **FREE** information
on **NEW**, guaranteed
seat and back supports
designed by a leading
back pain specialist.



Posture Education

609 Sleepy Hollow Road
Briarcliff Manor, NY 10510
www.postureeducation.com

CALL TOLL-FREE 1-800-392-0363

THOUGHTS

On the Business of Life

Button, button, who's got the button? An unbreakable button, that is. The answer is worth \$millions. Arrow shirters alone are spending \$300,000 trying to develop a far tougher button than is now available. It seems more people are buying cotton shirts, which need ironing, so more households are sending them out to commercial laundries. At these laundries "ironing" means stomping on the shirtfront buttons with huge presses. Preferring the careful nuzzling by a wifely guided iron, laundry-hammered buttons are busting out all over.

—MALCOLM S. FORBES (1990)

I make no secret of the fact that I would rather lie on a sofa than sweep beneath it. But you have to be efficient if you're going to be lazy.

—SHIRLEY CONRAN

The laundry has its hands on my dirty shirts, sheets, towels and tablecloths, and who knows what tales they tell.

—JOSEPH SMITH

When it comes to housework the one thing no book of household management can ever tell you is how to begin. Or maybe I mean why.

—KATHARINE WHITEHORN

I think housework is the reason most women go to the office.

—HELOISE CRUISE

You become about as exciting as your food blender. The kids come in, look you in the eye and ask if anybody's home.

—ERMA BOMBECK

He taught me housekeeping; when I divorce I keep the house.

—ZSA ZSA GABOR



Housework, if it is done right, can kill you.

—JOHN SKOW

The labor of keeping house is labor in its most naked state, for labor is toil that never finishes.

—MARY MCCARTHY

People invite me to dinner not because I cook, but because I like to clean up. I get immediate gratification from Windex.

—CAROL BURNETT

Housekeeping ain't no joke.

—LOUISA MAY ALCOTT

Men cook more, and we all know why. It is the only interesting household task. Getting down and scrubbing the floor is done by women.

—NORA EPHRON

I can't help it. I like things clean. Blame it on my mother. I was toilet trained at five months old.

—FELIX, FROM THE ODD COUPLE

Cleaning anything involves making something else dirty, but anything can get dirty without something else getting clean.

—LAURENCE J. PETTIT

There is no need to do any housework at all. After the first four years the dirt doesn't get any worse.

—QUENTIN CRISP

A Text...

*To do good and communicate
forget not: for with such
sacrifices God is well pleased.*

—HEBREWS 13:16

Sent in by Gabriel Agardi, Otego, N.Y.

5 December 12

AL ISSU

BURLINGAME PUBLIC LIBRARY

3 9042 06434310 3

DECEMBER 12, 2005 | WWW.FORBES.COM

Forbes

2006

INVESTMENT GUIDE

**TIREMENT
ANNING**
ET THE BEST
INUITY,
ALTH CARE &
ACE TO LIVE

OCKS
TO BUY
TO SELL

**HY SMART
VESTORS DO
UPID THINGS**

RATEGIES
UTWIT YOUR
OKER

**REAL ESTATE
TAX BREAKS
ON YOUR
ENERGY
BILL**

FUNDS
HIDDEN
STARS

TAXES
COPING
WITH NEW
RULES

BONDS

TR BURLINGAME

DEC 13 2005

LIBRARY



Add staying
power
to your portfolio.

¹ Other fees and expenses applicable to continued investment are described in the fund's current prospectus.

² As of 9/30/05, 75 out of 146 funds were rated 4 or 5 stars by Morningstar. Only funds with minimum initial investment of less than \$100K considered.

³ Total returns are historical and include changes in share value and reinvestment of dividends and capital gains, if any.

⁵ The S&P 500® Index is a registered service mark of The McGraw-Hill Companies, Inc., and has been licensed for use by Fidelity Distributors Corporation and its affiliates. It is an unmanaged index of the common stock prices of 500 widely held U.S. stocks. It includes the reinvestment of dividends. You cannot invest directly in an index.

EXPERIENCE, LOW EXPENSES, AND A FOCUS ON LONG-TERM PERFORMANCE SET OUR FUNDS APART.

Fidelity equity funds are known to focus on their long-term performance. What you may not know is that our funds have some of the lowest expense ratios in the industry. Our funds are no-load,[†] direct to you — and managed by some of the most experienced professionals in the business. Maybe that's why we offer you more 4- and 5-star funds than anyone else.[‡] Call us today and we'll help you choose the fund that may be right for you.

No-Load Funds, direct to you

Average annual total returns as of 9/30/05[§]

1 YEAR 5 YEAR 10 YEAR

Fidelity Contrafund ^{®*}	22.11%	4.01%	11.77%
Fidelity Export and Multinational Fund [*]	19.23%	5.73%	14.04%
Fidelity Balanced Fund	16.59%	7.64%	10.67%
S&P 500 [®] Index [§]	12.25%	-1.49%	9.49%

The performance data featured represents past performance, which is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance data quoted. Please visit Fidelity.com/performance or call Fidelity for the most recent month-end performance figures.

[†] Fund charges a short-term trading fee of .75% for shares held less than 30 days.

[§] As of 9/30/05, Fidelity Contrafund has a 26.3% investment allocation to foreign investments, which involve greater risks than U.S. investments, including political and economic risks and the risk of currency fluctuations.

**MOVE YOUR 401(K) ACCOUNTS INTO A
FIDELITY NO-FEE IRA.[†] CALL 1-800-FIDELITY.**



Smart move.[™]

Over 100 locations nationwide | 1.800.FIDELITY | Fidelity.com/performance

Brokerage account fee is eliminated (except on SIMPLE IRAs). Fund expenses and brokerage commissions still apply. Depending on your account, low-balance, short-term trading, and account-closing fees may apply.

Before investing, consider the funds' investment objectives, risks, charges, and expenses. Read the prospectus for more information. Contact Fidelity for a prospectus containing this information. Read it carefully.

Fidelity Brokerage Services, Member NYSE, SIPC

413606



**INNOVATIVE DELL™ POWEREDGE™ SERVERS FEATURE THE
PERFORMANCE AND RELIABILITY OF INTEL® XEON™ PROCESSORS.**

ANY ENTERPRISE PARTNER CAN SAVE YOU MONEY FOR A DAY. BUT HOW ABOUT A DECADE?

NOW IS THE TIME TO

partner with Dell, a proven leader in designing enterprise solutions that add more flexibility, help simplify operations, and scale every IT dollar. Everything from PowerEdge Server technology with the performance and reliability of Intel® Xeon™ Processors, to complete storage solutions and end-to-end services for planning, implementing and managing your datacenter. All direct from one place. Get more out of the next decade and

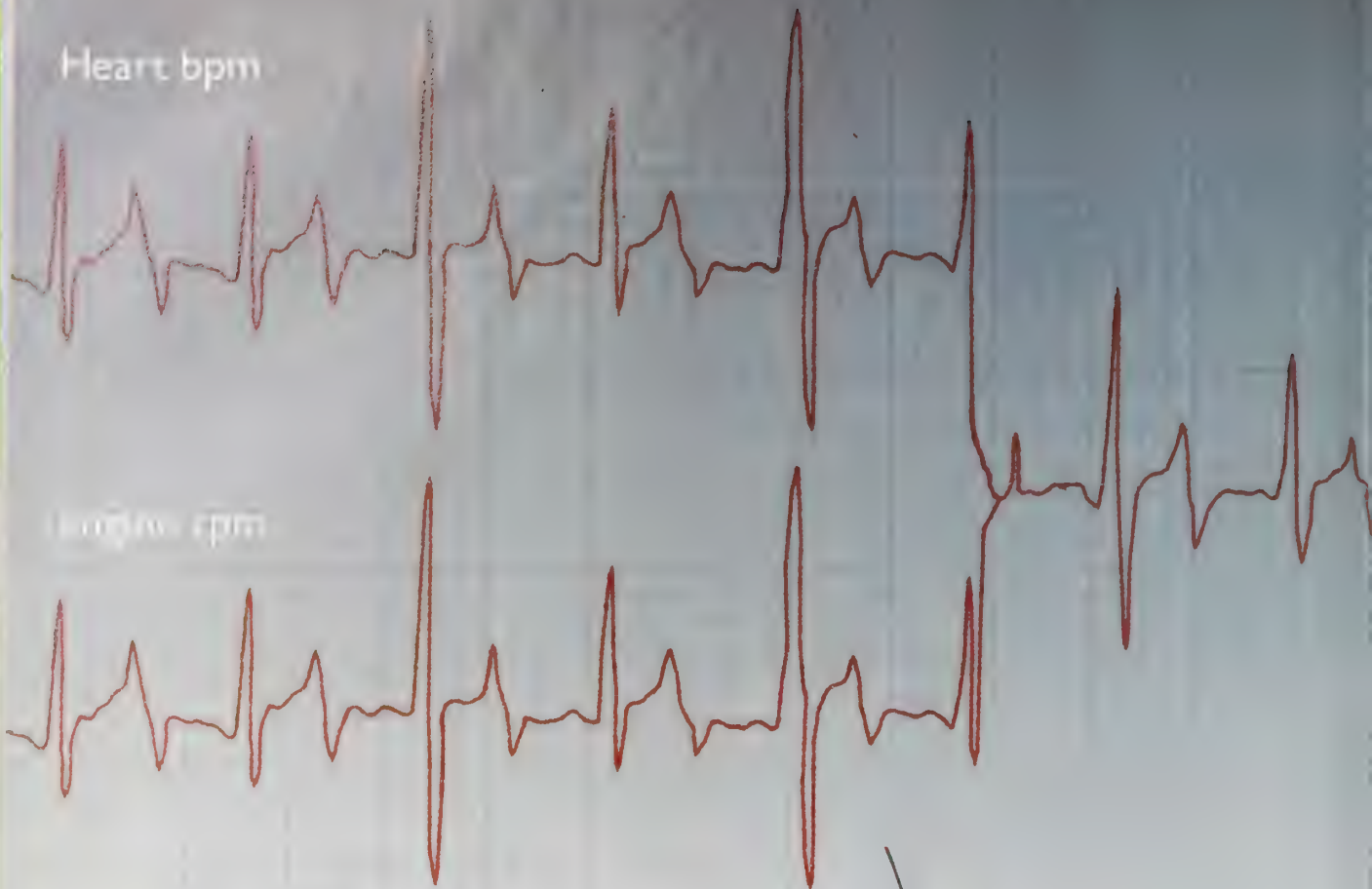
GET MORE OUT OF NOW.



For more about Dell solutions
Click www.dell.com/enterprise6
Call (toll free) 1.866.217.3052



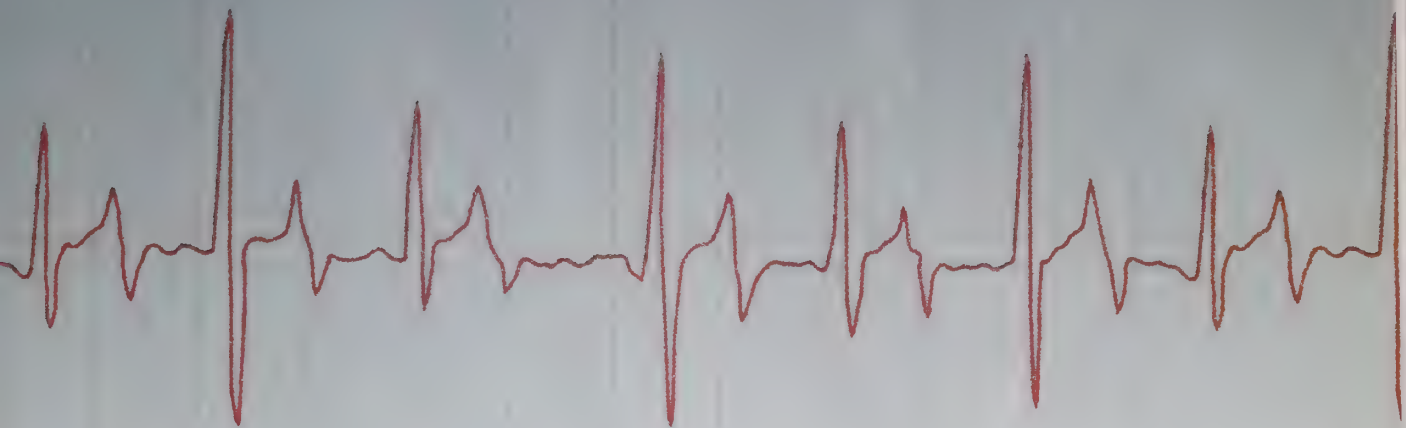
Heart bpm



Engine rpm

All-New MX-5 Miata. Once again, Mazda has reinvented the sports car. You see it in every texture, stitch and sweep. You feel it in every shift, stranglehold, redesigned and rebuilt from the ground up. Every component is engineered to keep you almost telepathic. Only Mazda could have delivered this seamless expression of

10 20 30 40 50 60 70



Don't you always become the car. Be the car.



zoom-zoom

It sets a whole new standard for the true sports car experience. The all-new MX-5 Miata is completely firing on all cylinders. To deliver a unique oneness—a connection of car and driver so immediate, it's on. It's a mindset. It's an obsession. And once again, it's become a sports car. be.thecar.com



mazda
MazdaUSA.com

70 100 130 160 190 220



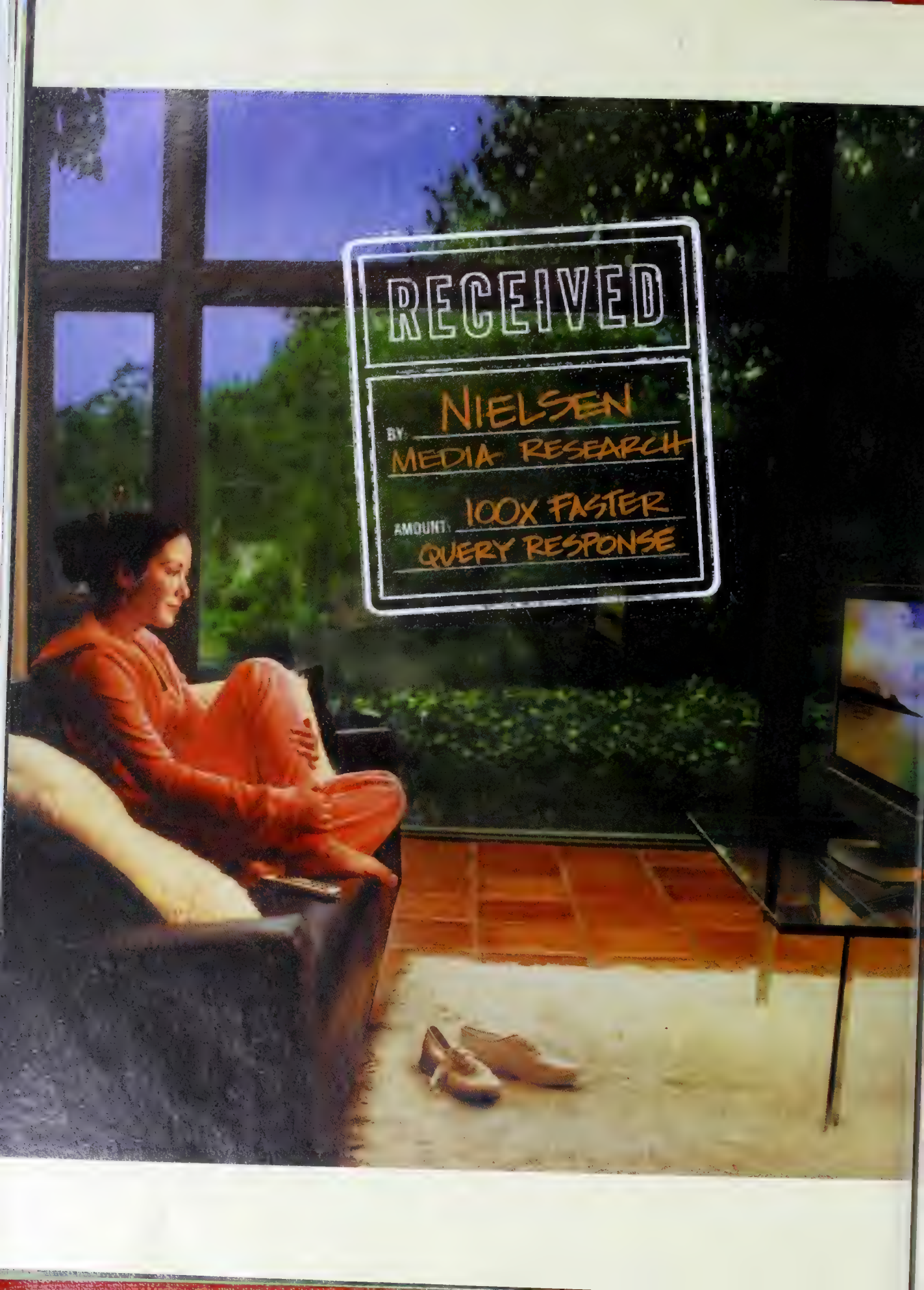
YOU CAN'T
HAVE A
FAVORITE
PLACE UNTIL
YOU'VE SEEN
THEM ALL.

Do you live an InterContinental life?



INTERCONTINENTAL.
HOTELS & RESORTS

Call 1-800-ICHOTELS
or visit www.intercontinental.com



RECEIVED

BY NIELSEN
MEDIA RESEARCH

AMOUNT 100X FASTER
QUERY RESPONSE

With Sybase® software, Nielsen Media Research enables customers to get real-time access to audience viewing habits through:

-  **800% faster data loads** for increased productivity during maintenance windows
-  **a secure, Web-based interface** that's accessible 24 hours a day from any location
-  **70% data compression ratio** for significant hard-cost storage savings

When viewing trends change in the ultra-competitive broadcast industry, Nielsen Media Research and their customers know it instantly. Because they have an information edge that comes from using Sybase® IQ – a powerful data analytics server that enables their clients to analyze more data in more ways. Up to 100x faster. And Sybase IQ helps Nielsen provide better service at a lower cost. It's an edge that only we can deliver. And it's why more global companies are tuning-in to Sybase every day. www.sybase.com/infoedge1

More and more executives are using their ma

Which begs the question: What's a

mailstream

THE FLOW OF MAIL, documents and packages has become increasingly diverse, containing everything from bills and e-statements to direct mail and goods like DVDs.

In fact, it has become so complex that some key players have coined a new term, the mailstream, to better describe this dynamic amalgam of data, processes, and technology.

But out of complexity has come opportunity. A growing number of business leaders have transformed their mailstream into a profit engine — with help from Pitney Bowes.

We're the only company that offers end-to-end mailstream solutions, from data management to personalized document creation, production, and distribution. They can make your business' mail more effective, efficient, and personal than you may have thought possible.

The result: Increased customer acquisition, retention and loyalty. Significantly decreased costs. And, ultimately, higher profit.

So as you can see, the question is no longer "what's a mailstream?" It's "when can I start profiting from it?"

Visit pb.com/mailstream to learn more.

stream to grow profit.

stream?

 **Pitney Bowes**

Engineering the flow of communication™

The security of your entire network is entirely in your hands.

(Can you at least show a hint of panic?)

When you need to upgrade your network security, it's nice to know you can count on CDW. Our account managers and product specialists can get you quick answers to questions. And with fast shipping and access to the industry's largest in-stock inventories, you can be sure to get the security solutions you need when you need them. So give us a call and find out first hand how we make it happen. Every order, every call, every time.



The Right Technology. Right Away.™

CDW.com • 800.399.4CDW

In Canada, call 888.898.CDWC • CDW.ca

Contents

DECEMBER 12, 2005 | VOLUME 176 NUMBER 12

THE 2006 INVESTMENT GUIDE



141 | Retirement Planning and More

142 | Dead Reckoning

There's a good chance you'll live past 90. But will you be able to spend that three-decade-long retirement in style? *By Scott Woolley*

148 | Shelter Skelter

Who would be naive enough to put a tax-sheltered annuity inside a tax-sheltered account? A lot of customers—\$78 billion worth. *By Neil Weinberg*

156 | The Old Folks Home

Assisted living centers are a fine way to care for the aged, but finding a good one isn't a snap. Here's how to look. *By Mark Tatge*

162 | Healthy Planning

Thinking about retiring early? Get health insurance first. *By Carrie Coolidge*

166 | We Wuz Robbed!

Why the smartest investors make the dumbest decisions. *By Daniel Fisher with Lea Goldman*

174 | Bank on It

CDs are a better deal lately. In rare cases they outshine U.S. Treasury bills. *By Daniel Kruger*

176 | More Than Riots and Taxes

Old Europe's not cold Europe. Stocks are hot. Here's how to find remaining bargains. *By Heidi Brown*

177 | Broker Haggle Guide

Doing business with a full-service brokerage firm? Don't let them squeeze you. Get your money's worth. Negotiate. *By Megan Johnston*

THE 2006 INVESTMENT GUIDE

180 | Sell That Bond

An early payment to the taxman can cut a bondholder's bill in the long run.

By Daniel Kruger

182 | Love It or Leave It

Our bullish and bearish stock pickers excelled in 2005. They look to repeat with Freddie Mac, Syntroleum and 15 more for the year ahead.

By Andrew T. Gillies

188 | Starstruck

Morningstar's celebrated Michelin-like ratings have limits. Some funds get coveted four- and five-star awards because they are in less-competitive categories. Here's how to see past the stars. By David Serchuk and James M. Clash

192 | Going Solar

Thinking of picking up a photovoltaic panel? Install it before the lavish tax subsidies expire.

By Ashlea Ebeling

196 | A Good Policy

The time to review your homeowners insurance is before you need it. By Carrie Coolidge

202 | Rating Nonprofits

How much money do philanthropies get from the public and what do they do with it? We show the results for the biggest.

By William P. Barrett

210 | Tax Planning in the Dark

When Congress is in session, it's best to arrange your financial affairs very defensively. Herewith, some specifics. By Janet Novack

216 | Press Lords

Big newspapers are in trouble, but the small ones are thriving. Start your own publishing mini-empire. By Christopher Steiner

220 | Safari Guide

How to run a lodge in the wilds of Africa.

By Allison Fass



22 Index

24 Side Lines

28 Readers Say

33 **Fact and Comment** | **Steve Forbes** says innovation, not low prices, drives the U.S. economy.

36 Other Comments

41 **Current Events** | **Caspar Weinberger** on George W. Bush's second term.

43 **Digital Rules** | **Rich Karlgaard** feels jolly about the American economy.

46 **Informer** | Online travel duo booking court time; Laurence Fishburne caught in tax matrix.

48 **On My Mind** | **Privatizing the Inner City**
By Robert H. Nelson

50 **Follow-Through** | **Flashbacks**

248 Thoughts

OUTFRONT

52 **Rebranding the Boob Tube** The big networks are selling TV shows à la carte. But their cable rivals are the one remaking television. By Scott Woolley

56 **Rick Wagoner's Report Card** Is the embattled GM chief in danger of being expelled? By Joann Muller

56 **Let's Be Friends** Microsoft's army of lawyers must be getting positively dizzy from all the peace pipes they are smoking. By Victoria Murphy Barret

58 **No Stern, No Problem** New chief Joe Hollander says Infinity Broadcasting will navigate radio's stormy seas. By Dorothy Pomerantz

60 **Legal Congestion** The maker of Zicam nasal products is trying to snuff out its anonymous critics—and they say that's nothing to sneeze at. By Elizabeth MacDonald

Plus: Beer, the new martini ... Risk-free gold rush ... Internet companies go back in time ... Leaking lawyers.

BVLGARI

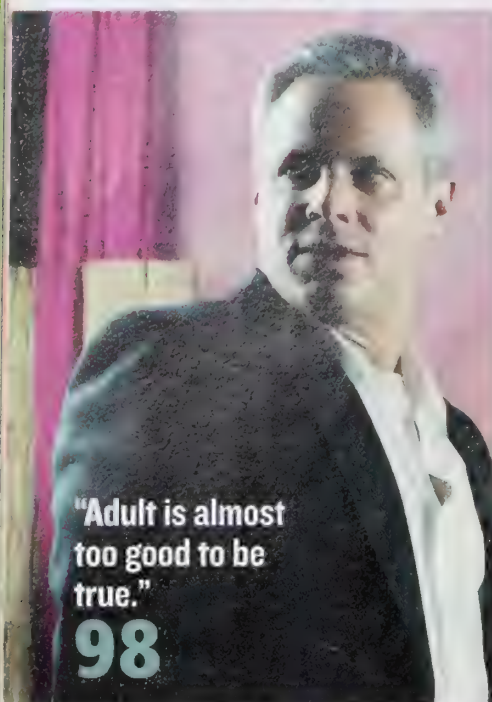


ASSIOMA

ASPEN • BAL HARBOUR • BEVERLY HILLS • CHICAGO • HONOLULU • HOUSTON • LAS VEGAS • NASSAU
NEW YORK • PALM BEACH • ST. BARTHELEMY • SOUTH COAST PLAZA • SAN FRANCISCO • 1 800 BVLGARI

Contents

DECEMBER 12, 2005



"Adult is almost too good to be true."

98

TECHNOLOGY

64 Gamers Unite Gabe Newell is king of the computer games underworld. To rise into the mainstream, he's asking for help from players.
By Victoria Murphy Barret

70 Digital Tools | Generation X
By Stephen Manes

ENTREPRENEURS

75 Itinerant Work Comarco has spent half a century limping from one business to the next. What exactly keeps it going?
By Scott Woolley

78 Nightcrawler Andrew Fox had a good idea for an online nightclub business, then walked away. Time to grow up.
By Helen Coster

MARKETING

88 Wedding March Here come the brides—and the ad deals. Marketers are smitten with a wedding-planning Weblet that looks like a big media brand in the making.
By Allison Fass

HEALTH

92 Treasures in the Trash What they used to call junk DNA may reveal the most important medical secrets of all.
By Matthew Herper and Robert Langreth

COMPANIES, PEOPLE, IDEAS

98 Obscene Profits Porn provides a windfall for Steven Hirsch's Vivid Entertainment and the cable companies that distribute its racy fare. Now the government wants to stem the filth.
By Seth Lubove

102 Timber! Charlie Hurwitz took on the federal government and won. His reward: watching his Maxxam empire felled by his own neglect.
By Christopher Helman

113 Portfolio Strategy | Gouging the Drug Companies
By Peter Huber

120 Gapology 101 The latest preposterous idea in educationland is "closing the achievement gap." It can't possibly succeed.
By Dan Seligman

115 SPECIAL GATEFOLD: BEYOND THE BALANCE SHEET

Teaching the Teachers

Best Buy keeps its sales humming by making sure its sales force is well trained.
By Lindsey Kamp



124 Anticipation Shareholders have waited all too long for William Johnson to fix Heinz. He promises one saucy turnaround.
By Monte Burke

134 Tax That Fellow Behind the Drill Governments make money by changing the tax rules after someone has sunk a large sum of money into an oil well or mine.
By Kerry A. Dolan

MONEY & INVESTING

226 Makers & Breakers Estée Lauder; MBIA; Payless ShoeSource.

228 The Patient Investor | Hooray for Mutual Funds
By John W. Rogers Jr.

230 Capital Markets | Cycle of Pain
By Marilyn Cohen

234 Fixed-Income Watch | Beyond Oil and Natural Gas
By Richard Lehmann

FORBES LIFE

237 Gnome Hotel When Swiss bankers loosen up at Zurich's Baur au Lac hotel, you can overhear some great gossip.
By Richard C. Morais

240 Lawrence of Suburbia Okay, so you're not exactly Peter O'Toole. But buzzing around the desert in an SUV is the way to go.
By Stewart Pinkerton



81 SPECIAL GATEFOLD: INNOVATION

Get Smart

After a half-century of hostile borders and urban guerrilla warfare, Iraq has emerged as the most technologically advanced country in the Middle East.

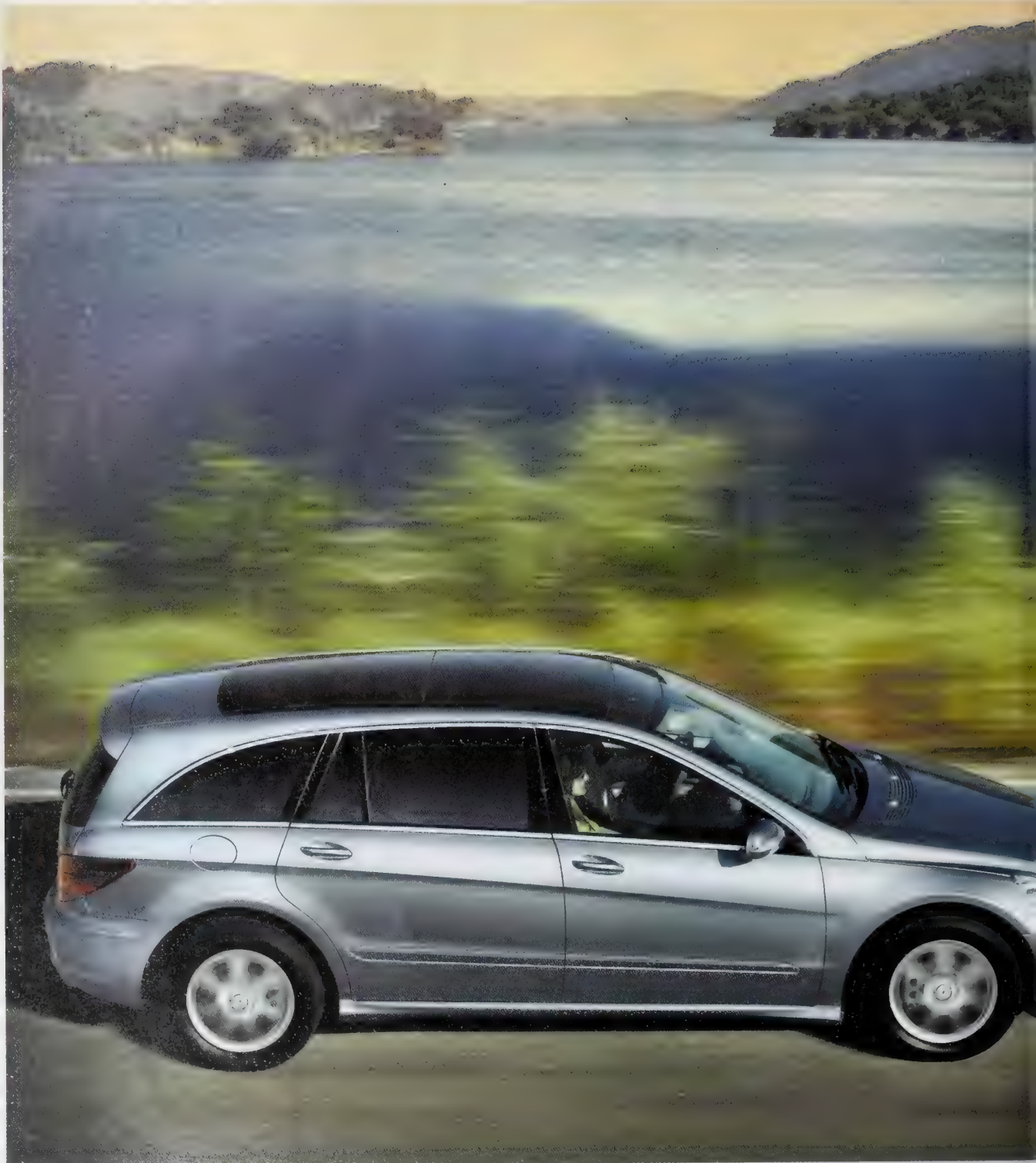


STANDARD TO LIVE BY: **QUALITY**

ING MEN LOOK GREAT SINCE 1905

00:285.2265
V.JOSBANK.COM

JOS. A.
BANK
CLOTHIERS



STARTING AT
\$48,775*

Look out the Panorama Roof[†] and see the world framed beautifully. Look in and see luxury executed superbly. A sumptuous, versatile space that accommodates six effortlessly or any number of uses easily. The R-Class is, quite simply, a very new, very different kind of automobile. A very new, very different way to travel. **R-Class. Unlike any other.**

*MSRP. Excludes taxes, title, license, and dealer fees. †Panorama Roof[†] shown at \$50,000. Includes Teantronic[®] Rear Package, optional metallic paint and optional Teantronic[®] Rear Package. ©2001 Mercedes-Benz USA, LLC. All rights reserved.

EVERY ONCE IN A WHILE,
A VEHICLE
COMES AROUND THAT CHANGES
EVERYTHING.

INTRODUCING THE 4-WHEEL DRIVE R-CLASS
GRAND SPORTS TOURER

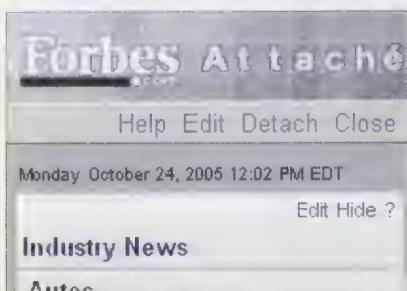
For more information, call 1-800-FOR-MERCEDES, or visit MBUSA.com.



Mercedes-Benz

Stay Current

Get the latest business news—and the FORBES perspective on it—during each business day directly from Forbes.com or via the following services from our site.



Forbes.com Attaché. Your choice of weather, sports scores, stock prices, news or articles from your favorite FORBES writers and more, always on your desktop—and for free.

E-Mail Newsletters. Choose from 29 daily or weekly collections of our articles sent by e-mail.

RSS Feeds. We offer more than 50 RSS (Really Simple Syndication) feeds of FORBES content.

E-Mail Alerts. Sign up from any article on Forbes.com to get immediate e-mail notification of new stories of interest to you.

Business News Alerts. A desktop application that alerts you when business news breaks or when we publish new investment, lifestyle or video features.

More for Investors

Prices, charts, news and data for funds, U.S. equities and non-U.S. Forbes Global 2000 companies. Streetwalker's latest stock picks and pans from our investment gurus. Plus Stock of the Week, Stock Focus and commentary from 41 premium investment newsletters and 4 free ones.

Lists

Greatest Athletic Achievements

By Michael Noer

Jesse Owens:
track star
extraordinaire.



At their best, sports are about more than just winning games and diverting crowds. They test the limits of what the human body and spirit can achieve. In homage to great athletes, Forbes.com lists the 20 most inspiring athletic accomplish-

ments of the past 150 years. Jesse Owens' four world records set in the space of 70 minutes in 1935 ranks third. Lance Armstrong's seven consecutive Tour de France victories is second. To find out who is the *victor ludorum* and to see the picks of legends like Nadia Comaneci, Don Larsen, Bill Russell and Mark Spitz go to our Web site.

Book Review

Bogle's Beefs

By Peter Lattman

Vanguard's founder has written his broadest broadside yet against the corporate, investment and mutual fund sectors. The usual suspects are present: grotesque executive compensation, shady accounting, outrageous fund fees and the folly of short-term speculation. Bogle lays out what went wrong, why it went wrong and how to fix it. To read our review of *The Battle for the Soul of Capitalism* and all our recent book reviews, go to Forbes.com.

Lifestyle

Most Expensive Gated Communities

By Sara Clemence

Llewellyn Park in West Orange, N.J., thought to be the first planned gated community in the U.S., was founded in 1853. Today the wealthy are still drawn to private, protected neighborhoods and are willing to pay millions of dollars—plus expensive association fees—to live there. See our new online ranking of the most expensive of them.

Forbes Magazine



Investment Guide

Online: More investment tips, financial planning tools and other advice to augment this issue's latest investment guide.

Forbes Lists

See www.forbes.com/lists for all FORBES annual lists, including this issue's efficiency ranking of America's biggest charities.

More From Our Columnists

Rich Karlgaard takes his column into the blogosphere with daily posts as he searches out great thinkers and big ideas.

Search Our Archive

Past FORBES magazine articles are available on our Web site.

Forbes Podcasts

Highlights from our weekly radio show are available as podcasts.

Forbes
magazine

For links to items mentioned on this page: www.forbes.com/extra.

For complete contents of this issue: www.forbes.com/forbes.

By Mail: Forbes magazine
60 Fifth Avenue
New York, NY 10011

fundamental strength of XL Capital Ltd companies enables your growing
business to explore new markets for your products and services. Our compa-
ny provides commercial property/casualty/specialty insurance, reinsurance,
financial risk and credit products. We are strong partners. www.xlcapital.com
INSURANCE | REINSURANCE | FINANCIAL Experience our strength.

The XL Capital group is rated A+ by AM Best.

XL CAPITAL

FUNDAMENTAL STRENGTH – CAPITAL AND PEOPLE



The strength to cover the world's
largest Transportation, Trade and Finance risks.

Index

COMPANIES AND PEOPLE IN THIS ISSUE

A, B, C

Ad Group, 133
Aetna, 164
Alexia's Bridal Boutique, 88
Allstate, 198
Allyn & Bacon, 168
Ablavim
Pharmaceuticals, 94
Ambros, Victor, 94
American Express, 90
American Funds, 148, 178
Anderson, Edward, 118
Andolfatto, Peter, 94
Anheuser-Busch, 54
Apache, 56
Apple Computer, 53, 116
Arabian Adventures, 240
Asher, William, 100
Assurant Health, 164
Atkinson, Larry G., 218
Auth, Stephen, 184
BC Global
Opportunities, 184
BG, 138
BHP Billiton, 138, 234
BNP Paribas, 166
BP, 136
Baldwin, Harriet, 186
Ballmer, Steve, 56
Banc of America, 172
Bank of America, 106, 230
Barnard Jacobs Mellet, 138
Basim, 240
Bateman, B. Randolph, 182
Bayou Management, 168
Bedford, Michael, 138
Bennett, Phillip, 166
Bentwich, Isaac, 94
Bergstresser, Daniel, 46
Best Buy, 116
Blank, Matthew C., 52
Bloomberg, Michael, 172
Blue Cross/Blue Shield, 164
Boland, Rachel, 88
de Boutray, Brooke, 186
Boylan, Richard, 46
Brown, Gordon, 136
Brown, Jeffrey, 143
Buell, Glenn, 76
Bullard, Mercer, 190
Burrell, Philip, 100
Burrows, Neil, 138
Bush, George W., 34, 210
Byrne, James, 170
CCH, 210
CIBC Oppenheimer, 172
Cablevision Systems, 230
Cadbury Schweppes, 176
Canessa, Gregory, 68
Capital Management
Associates, 184
Capital Research
& Management, 106, 128
Carlson, Eric, 158
Cerner, 182
Chait, Brian, 184
Chak, Sei Yuen, 163
Chalmers, John M.R., 46
Chubb Group, 196
Church, Gregory A., 226
Church Capital
Management, 226
Chávez, Hugo, 135
Cialdini, Robert B., 166
Circuit City, 118
Clarion Group, 184
Clear Channel
Communications, 78, 230
Columbia Real Estate, 190

C, D, E, F

Comcast, 88, 100
Conoco-Phillips, 136
Consumer Club, 46
Cooperman, Leon, 168
Correll, Alston, 50
Cripps, Richard E., 184
Croce, Carlo, 96
Cullina, Matthew, 198
Davidson, R. Steven, 62
DeBeers, 138
DeGeorge, Michael, 150
Deloitte Touche Tohmatsu, 214
Delta Global Advisors, 184
Deneuve, Catherine, 226
Deutsche Bank, 126, 186
Devon Energy, 186
Diener, Robert B., 46
DirectTV, 54, 100
Walt Disney, 52, 68
Doll, Robert, 186
RR Donnelley & Sons, 186
Donovan, Kathleen, 118
Dunkin' Donuts, 33
Dunn, Geoffrey, 226
Durso, John, 158
E-Medsoft.com, 172
E-Trade, 60
Ebay, 60
A.G. Edwards & Sons, 148
Ehealthinsurance, 162
Endwave, 166
Ernst & Young, 210
Eposus Creek Partners, 76
EverBank Direct, 58
Extreme Associates, 100
ExxonMobil, 135
Fanghella, Michael, 170
Fangman, Michael, 148
Fannie Mae, 28
Federated Department
Stores, 90, 226
Federated Investors, 184
Ferguson, Ronald F., 122
Fidelity Investments,
150, 174, 188
First Advantage CoreFacts, 168
First American Real Estate, 178
Fishburne, Laurence, 46
Fitzgerald, Patrick, 62
Flynt, Larry, 102
Ford, Tom, 226
Fording Canadian Coal
Trust, 234
Fox, Andrew, 78
Frame, Thomas, 170
Franklin Resources, 228
Franz, Thomas A., 76
Freddie Mac, 186
Frost, Geoffrey, 50
Furey, David, 118

G, H, I

Galagan, Patricia, 118
Gall, Bert, 34
Gates, Bill, 56, 68, 70
General Electric, 52, 100, 158
General Mills, 118
General Motors, 56, 142
Georgia-Pacific, 50
Gingeras, Thomas, 96
Glaser, Robert, 56
GlaxoSmithKline, 113
Global Investors, 188
Goetz, David, 186
Golden Rule, 164
Gollin, Stuart, 164
Gomer, Murray, 172

Gonzalez, Alberto, 100
Google, 56
Gordon, Robert, 180
Gore, Al, 106
HP, 128
Haddad, Richard, 218
Hanlon, Charles, 184
Harrelson, Woody, 106
The Hartford Financial
Services Group, 150, 198
Haussler, David, 94
Hayes, John, 90
Hefner, Hugh, 102
Heiman, Lee, 78
H.J. Heinz, 124
Hennessey Group, 168
Henry, Don, 138
HighMark Capital
Management, 186
Hill, Julia, 106
Hillman, James, 170
Hirsch, Steven, 100
Hollander, Joel, 58
Homeland Security
Research, 81
Horn, Terry R., 166
Hotels.com, 46
Hughes, Lynn, 104
Humana, 164
Hurley, Robert S., 164
Hurwitz, Charles, 102
IBM, 24, 142
IDT, 46
Icahn, Carl, 230
Id Software, 162
Impact Databank, 54
Inbar, Dan, 81
Independent News
& Media, 126
Institutional Capital, 176
Integrity Growth & Income
Fund, 190
Intel, 184
Intellectual Ventures, 28
Investors Financial
Services, 228
Israel, Samuel III, 168

J, K, L

Jackson, Peter, 70
Jackson, Thomas Penfield, 56
Jameson, Jenna, 100
Janus, 150
Jeffery, Simon, 68
Jobs, Steve, 172
John, Sean, 226
Johnson, William, 124
Jonas, Howard S., 46
Jupiter Research, 60
KLA-Tencor, 118
Kapoor, Kunal, 190
Karan, Donna, 172
Keefe, Bruyette
& Woods, 226
Kellas, Graham, 135
Kellogg's, 88
Kent, Bernard, 212
KeyBank, 174
King, Stephen, 54
Kleinfeld Bridal, 90
Kleinschmidt, Robert, 188
Klitzberg, Richard, 166
Koch Industries, 50
Kohl's, 226
Koonin, Steven, 53
Kozmetsky, George, 106
Kraft Foods, 126
Krispy Kreme, 33
Kuwait & Middle East
Financial Investment, 170
LTC Connection, 158
LaBadia, Amy, 223

LaBadia, John, 223
LaBovick, Brian, 62
Lachky, Robert, 54
Langford, Carol, 62
Lapage, Timothy, 223
Labroe Brewing, 78
Lauder, William P., 226
Estée Lauder, 226
Leach, William, 126
Thomas H. Lee
Partners, 166
Leeb, Stephen, 190
Legg Mason, 184
Lehman Brothers, 186
Leone, Sunny, 99
Levin, Henry M., 120
Levine, Arthur, 120
Levine, Craig, 68
Lewis, Diana, 62
Leyden, Thomas, 194
Liberty Mutual, 198
Linsley, Michael, 218
Litman, David S., 46
Liu, David, 88
Lockwood, Marcia, 177
Loest, Robert, 190
Long, Cheryl, 46
de Losada, Gonzalo
Sanchez, 136
Lucas, George, 68
Luscomb, Mark, 214
Lyon, Robert, 176

M, N, O

M&T Bank, 174
MBIA, 226
MTV Networks, 68
Marron, Ronald, 150
Marshall & Swift/Boeckh, 196
Martin, Bronwen, 192
Martin, Jeffrey, 192
Mathis, Susan W., 222
Mathis, William J., 122
Matrix Initiatives, 60
Mauldin, John, 168
Maxam, 102
McCaw Cellular, 76
McDonald's, 128
McFarland State Bank, 174
McKay, Fraser, 136
McKesson, 184
Mentor, 182
Merck & Co., 94, 113
Meredith, 90
Merrill Lynch, 178, 186
Mesa, Carlos, 136
MetLife, 198
Miata, Jeannie M., 156
Microsoft, 56, 68, 70, 192
Milone, Michael, 126
Mitchell, Olivia, 143
Mittton, Kathleen, 148
Modly, Helen L., 162
Morgan Stanley, 177
Morningstar, 188
Motorola, 50
Mugabe, Robert, 223
Mulligan, Timothy, 60
Munoz, Angel, 68
Murkowski, Frank H., 136
Netscape, 56
Neuberger Berman, 126
New Frontier Media, 100
Newell, Gabe L., 64
News Corp., 52
Nine West, 226
Northern Funds, 190
Novartis, 94
Nesfu, 220
Oatman, James, 164
Ocean Media, 60

Ochsenschlager, Thomas, 210
O'Neal, Edward, 178
O'Reilly, Anthony, 126
Overseas Shipholding
Group, 184

P, Q, R

PNM Resources, 166
Pacific Life, 150
PaineWebber, 172
Palladian Research, 186
Panetta, Leon, 106
Payless Shoesource, 226
Pellegri, Robert, 172
PepsiCo, 78, 176
Petrolbras, 136
Pets.com, 60
Pfizer, 113, 118, 184
Pilzer, Paul Zane, 162
Pilzer, 164
PinnFund, 170
Pixar, 70
Playboy, 102
Powerlight, 194
PricewaterhouseCoopers,
172, 212
Private Media Group, 100
Quackenbush, John, 94
RealNetworks, 56
Rebell, Michael, 122
Red Coat Asset
Management, 172
Repsol YPF, 136
Rinaldi, Ellen, 144
Rio Tinto, 234
Robertson, Michael, 60
Rockwell, Robert, 143
Rosetta Genomics, 94
Roth, David Lee, 58
de Edmond Rothschild, 170
Royal Philips Electronics, 176
Ruvkun, Gary, 94

S, T, U

SLM, 230
Sachdeva, Arvind, 186
Safeway, 216
St. John, Alex, 68
Sanford, Mark, 34
Sanoft-Aventis, 176
Schatsky, Gary, 174
Charles Schwab & Co.,
170, 174
Score, Shawn, 116
Sedgwick, Kyra, 53
Sega, 68
J.W. Seligman & Co., 172
Shain, Randy, 168
Shanley, John, 226
Sharp, Phillip, 94
Shughart, Deane, 88
Siegesmund, John III, 170
Silicon Investor, 60
Sirius Satellite Radio, 58
Sirna Therapeutics, 94
Smith, Alvy Ray, 70
Smith, Brad L., 56
Smith, James, 162
Smolka, Gerry T., 164
Sole, Andrew, 76
Sony, 70
Southern Peru Copper, 234
Spencer, Scott, 196
Spielberg, Steven, 53
Starbucks, 33
Starkey, John, 118
State Farm, 142, 198
Stefani, Gwen, 78
Stein, Gary, 60
Steiner, Bruce, 214
Stern, Howard, 58

Stoffel, Markus, 96
Stone House, 172
Strauss, Carolyn, 54
Stretch, Clint, 214
Strong, Steven, 194
Sun Microsystems, 56
Susquehanna Financial
Group, 226
Swensen, David F., 228
Syngenta, 28
Svntroleum, 184
T. Rowe Price, 150, 228
TNS Media Intelligence, 60
Target, 88, 226
Teledyne, 106
theknot.com, 88
Thinkfire, 28
Third Avenue Funds, 188
Ticketmaster, 78
Time Warner, 52, 60, 100, 230
Toqueville Funds, 188
Towers Perrin, 162
Track Entertainment, 78
Travelers, 198
Travelocity, 60
Travelzoo, 184
Trotter, Frank, 58
Tufano, Peter, 46
Twenty-First Securities, 180
UBS, 237
USAA, 198
Ubisoft, 70
Unilever, 126
United Airlines, 113

V, W

Valve, 64
van der Maas, Barry John, 220
van der Maas, Sean, 220
van der Maas, Tara, 220
Van Houten, Elbert H., 158
Vanguard Group, 144
Verizon, 76, 118
Viacom International, 52, 58
Victory Capital
Management, 186
Vincierra, Anthony, 54
Vivid Entertainment, 99
Volkswagen, 50
Wagoner, G. Richard, 56
WakeWalker, Richard, 138
Wal-Mart Stores, 216, 226
WeddingChannel.com, 90
Weight Watchers, 126
Weinberger, Mark A., 210
Weiser, 164
Weitz Funds, 190
Wells, Peter M., 198
White, James, 216
Whittier, John H., 166
WildTangent, 68
John Wiley & Sons, 162
Winant, Scott, 52
Wiseley, Richard, 172
Woerth, John, 150
Wood Mackenzie, 135
Wood River Capital
Management, 166
Worters, Loretta, 198
Wrigley's, 176
Wrobel, Andrew, 174

X, Y, Z

Yahoo, 60
Zale, 88
Zalkin, Seth, 78
Zander, Edward, 50
Zevenbergen Capital
Investments, 186
Zock, Joseph, 184
Zollars, Edward, 214

FORBES is published biweekly, monthly in August, with an extra issue in April and October, by Forbes Inc., 60 Fifth Avenue, New York, NY 10011. Subscriptions: U.S.A., one year \$59.95. Canada, one year C\$89.95 (includes GST). Forbes Subscriber Service is available online. To subscribe, change your address, or for other assistance, please visit www.forbes.com/customer-service. Or write Forbes Subscriber Service, P.O. Box 5471, Harlan, IA 51593-0971. To purchase back issues of Forbes magazine, call 1-800-429-0106.

Where necessary, permission is granted by the copyright owner for those registered with the Copyright Clearance Center (CCC), 222 Rosewood Dr., Danvers, MA 01923, to photocopy articles owned by Forbes for a flat fee of \$1.50 per copy per article. Send payment to the CCC stating the ISSN (0015-6914), volume, and first and last page number of each article copied. Copying for other than personal use or internal reference, or of articles or columns not owned by Forbes without express permission of Forbes or the copyright owner is prohibited.

Reprints: 100 copies, \$1,212; 250, \$2,399 or fax 212-206-5118 or e-mail reprints@forbes.com (minimum order 500); to request permission to republish an article, call 212-620-1819 or fax 212-206-5118. Reprints reproduced by others are not authorized.

We don't get you over oceans, mountains
and deserts only to be delayed by Chapter 3,
Part 319, Regulation 40-2 of CFR Title 7.

WHAT CAN BROWN DO FOR YOU?™

When you're trading internationally, your entire
shipment could be hanging on a single clause.
Whether it's a rule overlooked out of hundreds of
and trade agreements or a misinterpretation
of dozens of third parties, mistakes like
these can cause costly delays.

Luckily, there's a simple solution. Leave the
complexities of global compliance to UPS. With over
50 years of experience in international trade, we
bring the resources and network of people all over

the world to head off problems and facilitate the
movement of your goods. And since we deal with
the thorniest compliance issues every day, we're
up on the very latest, most accurate information.

As your single source for customs brokerage and
international trade management solutions*, we'll
help make sure nothing stands in the way of your
global transactions. Including that mountain of paper.

1-800-PICK-UPS



United Parcel Service of America, Inc. (UPS), the UPS brandmark, and the UPS logo are registered trademarks of United Parcel Service of America, Inc. All rights reserved.
*Customs brokerage and educational and training services provided by UPS Trade Management Services, Inc.

Editor

WILLIAM BALDWIN

Managing Editor

LEAH KATZ

Executive Editor and Editor, Forbes.com

JOHN J. MURPHY

Executive Editor and Editor, Forbes Asia

TIM W. FERGUSON

Deputy Managing Editor

STEWART PINKERTON

Assistant Managing Editors: Jean A. Briggs, Steve Kichen, Tom Post, Larry Reibstein

Art and Design Director: Robert Mansfield

Editorial Counsel: Lynn B. Oberlander

Editorial Director, Foreign Editions: Katarzyna Wandycz Moreno

Editorial Director, Forbes Asia: Karl Shmavonian

National Editor: Robert Lenzner

Senior Editors: William P. Barrett, Phyllis Berman, Alan Farnham, Daniel Fisher, Robert Langreth, Larry Light, Daniel Lyons, Elizabeth MacDonald, Robyn Meredith (Asia), Richard C. Morais, Peter Newcomb, Michael K. Ozanian, Brett Pulley, Matthew Schiffrin, Bruce Upbin, Merrill Vaughn, Neil Weinberg, Melanie Wells
Contributing Editors: Justin Doebele, Lydia Forbes, Joanne Gordon, Joshua Levine, Dana Wechsler Linden, Dyan Machan, Toni Mack, Stephen Manes, Richard Phalon, Dan Seligman

Associate Editors: Susan Adams, Kurt Badenhause, Scott Bistayi, James M. Clash, Bernard Condon, Mary Ellen Egan, Nikhil Hutheesing, Deborah Markson-Katz, Luisa Kroll, Deborah Orr, Penelope Weiss

Staff Writers: Monte Burke, Carrie Coolidge, Ashlea Ebeling, Jonathan Fahey (Detroit), Allison Fass, Lea Goldman, Tomas Kellner, Daniel Kruger, Michael Maiello, Chana R. Schoenberger, Nathan Vardi

Senior Reporters: Nicole Ridgway, Deputy Chief; David Armstrong, Kiri Blakeley, Heidi Brown, William Heuslein, Susan Kitchens, Matthew Miller, Dirk Smillie
Reporters: Helen Coster, Elizabeth D. Gravitt, Suzanne Hoppough, Megan Johnston, Peter Lattman, Amanda Schupak, Tatiana Serafin, David Serchuk, Andy Stone

Editorial Assistants: Michele Anderson, Suzanne Dottino, Amanda Ernst, Lucretia McFadden, Victoria Somers

Washington Bureau: Janet Novack, Manager; Andrew T. Gillies, Matthew Swibel, Cristina von Zeppelin

West Coast: Seth Lubove, Manager; Scott Woolley, Stephane Fitch, Dorothy Pomerantz, Evan Hessel

Silicon Valley: Quentin Hardy, Manager; Elizabeth Corcoran, Kerry A. Dolan, Zina Moukheiber, Senior Editors; Victoria Murphy Barret, Erika Brown, David Whelan, Patricia Huang

Midwest: Mark Tatge, Manager; Emily Lambert, Christopher Steiner (Chicago); Joann Muller, Manager (Detroit)

Southwest: Christopher Helman

Europe: Michael Freedman, Manager

Pacific: Tim Kelly, Manager; Kiyoe Minami (Tokyo); Russell Flannery, Manager (Shanghai)

Columnists: Laszlo Birinyi Jr., Marilyn Cohen, David Dreman, Kenneth L. Fisher, Jerry Flint, James Grant, Steve H. Hanke, Lisa W. Hess, Peter Huber, Richard Lehmann, John W. Rogers Jr., A. Gary Shilling

Art Department: Ronda Kass, Deputy Art Director; Charles Brucaliere, Anton Klusener, Senior Associate Art Directors; David Lada, Steven Ramos, Associate Art Directors; Mitsuyo Niwa, Art Assistant; Michele Hadlow, Senior Photo Editor; Stephen Aviano, Meredith Nicholson, Janice Pikey, Photo Editors; Leslie Kippen, Contributing Photo Editor; Gail Toivanen, Special Photography Projects and Research; Robin Regensburg, Traffic

Digital Imaging: Mark Decker, Director; Richard Nobile, Assistant; Elena Torres, Gavin Aghamore; Carmen Ramos, Migdalia Barreto

Statistics: Scott DeCarlo, Editor; Shlomo Reifman, Deputy Editor; Ann C. Anderson, Jody Yen, Senior Editors; Jack Gage, Lesley Kump, Brian Zajac, Associate Editors; John J. Ray, Samantha N. Wong, Researchers

Director of Editorial Programming: Mitchel Rand; John Chamberlain, Senior Programmer; Carl Subick

Copy Desk: Tracy Fiske, Deputy; Susan R. Goldberg, Richard Hyfler, Suzanne O'Neill, Craig Silver

Information Center: Natalie Cannestra, Assistant Director; Clarita Jones, Information Specialist; Luis Collazo Jr., Jacqueline Daniel, Queenie Flake, Staff

Manufacturing and Production: Mary S. Nemeth, Director of Manufacturing; Emili Alaburic, Michelle Ciulla, Donald R. Conway, Alison Kotch, James Morrow, Joanna Mikolajczuk; Nur Terpis, Production Manager, Forbes Asia

Information Technology: Louie Torres, Carolyn Agro-Buonocore, Bradford Campeau-Laurion, Peter Menoni, Managers; Esad Becaj, Philip Blake, Gabriel Chiong, Joseph Lodato, Tim Martin

Online: Dan Bigman, Charles Dubow, Michael Noer

FOUNDED IN 1917

B.C. Forbes, **Editor-in-Chief** (1917-1954)

Malcolm S. Forbes, **Editor-in-Chief** (1954-1990)

PAID CIRCULATION OVER 900,000 Printed in U.S.A.

Side Lines

Soak the Rich

Here's a socialist-sounding thought espoused by Peter Huber on page 113: The rich should pay more for drugs than the poor. Paradoxically, such price discrimination leaves the rich better off. This is because almost all the cost of making a drug is the fixed one (a billion dollars or so) of finding the chemical and setting up the vats to brew it. Suppose that there are 1 million patients in the U.S. willing to pay \$600 for a course of pills and 10 million in China who can afford only \$60. If a uniform price must be charged, the drug will not exist. Charge \$600 everywhere and only \$600 million of revenue comes in; charge \$60 and there's only \$660 million. But if you can segment the market, you collect \$1.2 billion, yielding both a profit and a healthier world.

In a bulletin board for proposed *Forbes* on Fox topics, this notion of discriminatory pricing was lampooned. Are we going to have means testing for everything? asked one wisecracker. "You go to a store, show them your 1040 and the clerk tells you what the item costs."

Wait a minute. Isn't price discrimination a ubiquitous feature of economic life? Rich people pay full price for a Broadway show; less affluent people stand in line for half-price tickets. College scholarships are a soak-the-rich phenomenon. So is the wide spread between the price charged to rich, impatient readers for a hardcover and the price tag on the paperback. So are those irksome rebate coupons that come with your tax software. Plutocrats don't have time for them.

How to recover the huge fixed costs of developing office machinery? Charge heavier users more. You do that by underpricing the machine and overcharging for the supplies. IBM once got a spanking from antitrust enforcers for insisting that customers use its overpriced punch cards. That's because antitrust enforcers don't know anything about economics. Now the legal battle rages on between manufacturers of inkjet printers and ink discounters.

As far back as the 19th century AT&T was charging businesses more for the same gear than it charged residences, according to Andrew Odlyzko, a University of Minnesota mathematician who has studied pricing theory. Danish kings did not charge a flat rate for ships passing the castle at Elsinore; the toll was keyed to the value of the cargo. One thing Hamlet did not have to fret about was antitrust lawsuits.



William Baldwin
EDITOR



exclusively in Louis Vuitton stores www.louisvuitton.com 866 VUITTON

LOUIS VUITTON

**DIVERSIFY YOUR PORTFOLIO
WITH 100 OF NASDAQ'S LARGEST
NONFINANCIAL COMPANIES >**

Microsoft • QUALCOMM • eBay • Intel • Cisco
Systems • Symantec • Dell • Amgen • Apple
Computer • Starbucks • Oracle • Comcast
Yahoo! • Biogen Idec • Maxim Integrated
Products • Sepracor • IAC/InterActiveCorp •
Electronic Arts • Genzyme • Research in Motion
• Bed Bath & Beyond • Linear Technology •
Biomet • PACCAR • Apollo Group • Gilead
Sciences • Applied Materials • Adobe Systems •
PeopleSoft • Teva Pharmaceutical Industries
• Xilinx • Network Appliance • Celgene •
Paychex • Costco Wholesale • Staples •
KLA-Tencor • Sirius Satellite Radio • Amazon.com
• Altera • Intuit • Fiserv • Juniper Networks •
Sears Holdings • Cintas • Marvell Technology
Group • Autodesk • Flextronics International
• XM Satellite Radio Holdings • Liberty Media
International • Chiron • VeriSign • Broadcom •
Sun Microsystems • Wynn Resorts • EchoStar
Communications • MedImmune • MCI •
NTL • Check Point Software Technologies
• Siebel Systems • Garmin • Whole Foods
Market • CDW • LM Ericsson Telephone •
Expeditors International of Washington
• Patterson Companies • Citrix Systems •
Express Scripts • PETSMART • JDS Uniphase
• Comverse Technology • Pixar • ATI
Technologies • Smurfit-Stone Container
• C.H. Robinson Worldwide • Fastenal •
Sanmina-SCI • Microchip Technology •
DENTSPLY • Lincare Holdings • Sigma-Aldrich
• Lam Research • Ross Stores • Mercury
Interactive • American Power Conversion •
Novellus Systems • Millennium Pharmaceuticals
• Career Education • Lamar Advertising •
SanDisk • QLogic • BEA Systems • Invitrogen
• Dollar Tree Stores • Molex • Synopsys •
Intersil • Level 3 Communications • Tellabs

QQQ NASDAQ-100

**QQQ: WHAT'S AN ETF?
WHAT ARE ITS BENEFITS?
AND HOW CAN IT ENHANCE MY PORTFOLIO?**

An exchange-traded fund (ETF) is a single security that tracks the performance of an index, such as the NASDAQ-100 Index® or the NASDAQ Composite Index®.

There can be many benefits to purchasing an ETF. By tracking an index, ETFs give you exposure to many companies. In the case of broad-based ETFs, you are invested in many industries with the purchase of just one security. But diversity is just the beginning. Also, ETFs are often low cost, tax-efficient and offer great trading flexibility; of course, ordinary brokerage commissions apply.

Some investors use ETFs as a major focus of their portfolio because they are a good tool for long-term investments. The instant diversification they provide can support a less active management style for many investors. Other investors use ETFs more actively as hedging tools. They can be sold short to hedge a core stock portfolio or interest rate fluctuations. ETFs are subject to risks similar to stocks, including those regarding short selling and margin account maintenance.

Investors also may wish to talk to their tax advisors about moving the mutual funds to ETFs during tax wash sales. Based on specific tax circumstances, an investor sometimes may be able to sell a security from a mutual fund that is underperforming and claim a tax loss, but keep the investment in that sector by investing in an ETF that tracks the same index.

Whether you are a long-term investor looking for lower costs and lower capital gains taxes, or an active investor looking for hedging and cash flow, ETFs can enhance your portfolio. To learn more about ETFs, visit the ETF tutorial at www.Forbes.com/ETF.

An investor should consider investment objectives, risks, charges and expenses carefully before investing. To obtain a prospectus, which contains this and other information about QQQ, a unit investment trust, please call 888.627.3837. Read the prospectus carefully before investing. QQQ is a unit investment trust, not a mutual fund. QQQ is a registered broker-dealer and distributor for QQQ.

> WWW.FORBES.COM/ETF

QQQ NASDAQ-100
SYMBOL: QQQQ

Forbes
MAGAZINE

FROM ➤



TO >

BONES

QQQ NASDAQ-100

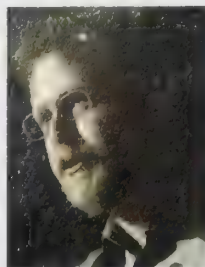
An investor should consider investment objectives, risks, charges and expenses carefully before investing. To obtain a prospectus, which contains this and other information about QQQ, a unit investment trust, please call 888-627-3637. Read the prospectus carefully before investing.

ASDAQ NASDAQ-100 Index, NASDAQ-100 Index Tracking Stock and QQQ are registered securities of The Nasdaq Stock Market, Inc. and have been cleared for sale by NASDAQ Global Markets, Inc. QQQ's issuer, NASDAQ, makes no representation regarding the advisability of investing in QQQ securities or generally advising or recommending to sell or to buy QQQ, the NASDAQ-100 Index, its use or its value or related matters.

ALPS Distributors, Inc., a registered broker-dealer, is distributor for QQQ.

© 2005 The McGraw-Hill Companies, Inc. All rights reserved.

President and Editor-in-Chief Steve Forbes
Chief Operating Officer Timothy C. Forbes
Chairman Caspar W. Weinberger
President and Publisher Forbes Magazine Group James S. Berrien
Vice Chairman Christopher Forbes
Group Vice President-Editorial James W. Michaels
Publisher Forbes Magazine Rich Karlgaard
President Forbes FYI Robert L. Forbes
Chairman Forbes International Brian Mulroney
Executive Vice President Electronic Publishing James Spanfeller
Executive Vice President Chief Financial Officer Sean P. Hegarty
Senior Vice President General Counsel and Secretary Terrence O'Connor
Senior Vice President General Manager Scott E. Masterson
Senior Vice President Corporate Communications Monie Begley Feurey
Vice President Treasurer Philip E. Reville
Vice President The Forbes Collections Margaret Kelly Trombly
Vice President Business Development Miguel Forbes
Controller Thomas J. Callahan
Director of General Services Gary Prasto
Director of Human Resources Margaret W. Loftus
Director of Knowledge Management Anne P. Mintz
Group Director of Production and Manufacturing Elaine Y. Fry
Group Director of Circulation Nina M. LaFrance
Director of Distribution Edward Conrad
Director of Protocol Cathi Culbertson
Director of Project Management Amy C. Berretta
Director of Consumer Marketing Carolyn Topak
Director of Consumer Business Jamie A. Fallon
Director of Information Technology Robert Cacace
Director of Information Systems Christopher A. Herring
Director of Corporate Communications Laurie Baker
Director of Internal Communications Diane Reeves
Vice President Associate Publisher Kevin Gentzel
Vice President Conference Group Kendall Crolis
Vice President Marketing Deborah Himmelfarb
Vice President Custom Solutions Edward Z. Hughes
Vice President New Business Partnerships Mike Woods
New York Jennifer Giampietro Cooke, Felix DiFilippo, Group Advertising Directors
Moir Forbes, Vicki King, Sherry Phillips,
Diantha W. Redd, Hayley Romer, Frank W. Rosa
Atlanta John Reock
Boston Gary Manis, Mgr.
Chicago William J. Powers Jr., Mgr.; James W. Wall
Detroit Shauna Haras, Group Advertising Director;
Christine Schultz
Los Angeles Jill S. Harris, Mgr.; Lisa K. Carden
Silicon Valley Frank Thom, Group Advertising Director;
Chesley Bohac, Denyce Kehoe, Chris Litchfield
Washington, D.C. C. David Pinkerton, Jr., Group Advertising Director
Director of Economic Development Peter T. Malloy
Executive Director of Marketing Nancy Bensimon
Director of Research Linda Lawrence
Director of Merchandising and Events Karen Moroney
Creative Director of Design Center Susanne Preinfalk
Director of Media Strategies Andrea Sontz
Director of Corporate Integration Selden Blommer
Director of Special Sections Carol Nelson
Group Business Director Jeff Reilly
Marketing Director Lawrence Ganz
President and Publisher Forbes Asia William Adamopoulos
Tokyo Hiroyuki Nakagawa, Japan Director;
Toshiaki Iizuka, Japan Advertising Sales Director
Hong Kong Pauline Seow, Eva Cairns, Regional Sales Directors
Singapore Joyce Lim, Serene Lee, Regional Sales Directors
Vice President Managing Director Europe Robert A. Crozier
London Juanita Caspari, Sam Davies, Regional Sales Directors/Europe
International Projects
Executive Director James W. LaCirnola
Forbes Newsletter Group
Vice President/Editor Matthew Schifrin
Forbes Investors Advisory Institute
President Wallace Forbes;
Vice President Vahan Janjigian
Advertising Business
Manager Brandon Russell; Ivette Reyes



The inventive
Nathan Myhrvold.

Creative Differences?

I'm surprised how negative you were about Intellectual Ventures in "Patent Stalker" (Nov. 14, p. 166). Our goal of creating a marketplace for inventors and their ideas is honorable, not "sleazy" or nefarious. We don't broadcast our investments or other business details to the world, because it would hurt us competitively to do so. That is standard practice in the intellectual property business for just about everybody, including many major technology companies. We've invented hundreds of patents ourselves, and we've also invested in the inventions of others, including individuals, universities, government labs and companies ranging from large to small. Invention is a cornerstone of the U.S. economy, but paradoxically there are few who will risk their capital and time directly investing in the invention process. I'm proud of my company, our employees and the commitment we've made to pioneering a new, risky and exciting business model.

NATHAN P. MYHRVOLD
 Chief Executive
 Intellectual Ventures
 Bellevue, Wash.

The article misdescribed the circumstances of Myhrvold's resignation from ThinkFire. ThinkFire managers did not confront him after learning that Intellectual Ventures was bidding at the same patent auction. Rather, it was Myhrvold who was surprised that ThinkFire was bidding at the auction, and he resigned from ThinkFire's board after he realized that the two businesses' interests would sometimes conflict. Intellectual Ventures has hundreds of patent applications filed at the U.S. Patent & Trademark Office; 22 applications have been published but no patents have yet been issued.

—ED.

A Blooming Shame

FORBES missed the big picture in "A Tough Row" (Nov. 14, p. 195). The story failed to acknowledge that Syngenta AG, a global leader in agribusiness, offers a portfolio of seed, seed treatment, biotech traits and crop protection products to help corn and soybean growers manage risk, control costs and enhance profitability. Syngenta has brought a healthy dose of competition to the agri industry. In the first half of 2005 sales rose 18% to \$5.4 billion and net income increased 21% to \$976 million. This performance is the real story your article failed to tell.

SARAH HULL
 Vice President, Public Affairs,
 North America
 Syngenta AG
 Washington, D.C.

Addendum: Fannie Mae

David Dreman's column about Fannie Mae, "Stick To Your Guns, Fannie" (Nov. 28, p. 258), noted that no evidence had yet emerged to back up a report in the Sept. 29 *Wall Street Journal*, which described new accounting violations at the mortgage giant, including "overvalued assets and underreported credit losses." On Nov. 10, shortly after we had gone to press, Fannie Mae reported that it had discovered new accounting errors. These include errors in the treatment of investments, tax credits and insurance premiums.

Forbes

Send e-mail to readers@forbes.com or visit
www.forbes.com/letters. Letters will be edited.
 Please include address and phone number.

"WITH BONDS, THERE'S
REAL DOWNSIDE IN WAITING
FOR MORE UPSIDE."



*Fixed-Income Strategists
George Friedlander
and Michael Brandes*

Right now, some investors are wary of bonds because they think interest rates will rise further. If you're one of them, have you considered all the benefits you're sacrificing while you wait? Or how risky this is to your

portfolio? That's why we wrote *The Risk of Risk Aversion* — to make sure investors understand the many forces that should continue to keep interest

rates relatively stable, along with the critical role bonds play in your portfolio.

**Call 1-800-327-6748, ext. 542 or
visit smithbarney.com for your copy
of *The Risk of Risk Aversion*.**



SMITH BARNEY
citigroup 

Toshiba recommends Windows® XP Professional.

Satellite®

Smart notebooks for every budget.

Starting at \$699

Tecra®

The reliability business demands.

Starting at \$999

Portégé®

Thin, light and powerful.

Starting at \$1,599

Qosmio™

4-in-1 personal entertainment center.

Starting at \$1,799

libretto®

Power of a desktop in the palm of your hand.

Starting at \$1,899

Tecra® A5 Notebook PC

The Tecra® A5 is a wide-screen notebook, with today's most popular business features — priced to fit your budget.

Intel® Centrino™ Mobile Technology

Genuine Microsoft® Windows® XP Professional

Toshiba EasyGuard™ enhancements¹ for increased mobile security, system integrity, network connectivity and overall ease of use.

Starting at \$999

ToshibaByDesign.com/value
1.800.TOSHIBA



Toshiba By Design is a registered trademark of Toshiba America Information Systems, Inc. and/or Toshiba Corporation. Intel, the Intel logo, Intel Inside, the Intel Inside logo, Intel Centrino, the Intel Centrino logo and Intel Inside are trademarks or registered trademarks of Intel Corporation or its subsidiaries in the United States and other countries. Microsoft, Windows, Windows XP, and Windows XP Professional are trademarks or registered trademarks of Microsoft Corporation in the United States and other countries. All other trademarks are the property of their respective owners. © 2005 Toshiba America Information Systems, Inc. All rights reserved. For detailed information, see Weight Legal Footnote at www.info.toshiba.com. libretto, Portégé, Satellite and Tecra are registered trademarks of Toshiba America Information Systems, Inc. and/or Toshiba Corporation.



Light and Thin

Starts at less than five pounds² and is only 1.2 inches thin for effortless portability.



Practical Design

The base of the notebook is 1" shorter than standard 14.1" systems.



Affordability now comes with a view.

Wide screen usually means big price. Unless you're talking about Toshiba. The Tecra[®] A5 is an affordably priced, feature-rich notebook in an ultra-mobile chassis, complete with a 14" diagonal wide-screen display. So you can see 25% more information — without having to spend a lot more money. That's innovation 360°. That's Toshiba.



14" Diagonal Wide-Screen Display

With 25% more viewable information, it's easier to create, compare and share documents and presentations.

Where can innovation take you?
ToshibaByDesign.com/value



One-Touch Docking

Advanced Port Replicator allows fast one-touch docking so you can move seamlessly to and from the desktop.



Toshiba EasyGuard™ Software Utilities¹

Exclusive technologies that greatly improve mobile computing with easy connectivity and ease of use.

TOSHIBA

Innovation **by design.**

Windows are registered trademarks of Microsoft Corporation in the United States and/or other countries. All other trademarks are the property of their respective owners. While Toshiba made every effort at the time of publication to ensure the accuracy of the information provided herein, product specifications, configurations, prices, system/component/options availability subject to change without notice. Toshiba is not liable for pricing, typographical or photography errors. Prices listed are based on products listed at ToshibaDirect.com at time of printing. Reseller/Retailer pricing may vary. © 2005 Toshiba America Information Systems, Inc. All rights reserved.

MORE SPAM, PLEASE.

Seriously.

Lucky for you, we can't get enough.

The fact is, e-mail security has gotten out of control. Spam, viruses, spyware, pornography, malware, user licensing, updating. It's an expensive and endless headache. And the stakes are getting higher every day. Today, 8 out of 10 businesses get hit.¹ And e-mail viruses alone are responsible for more than \$10 billion in lost productivity.²

It's time this problem got solved. Not just for big businesses, but for any size business. Not just for this platform or that. And certainly not by making already overworked IT people run CDs from PC to PC during virus frenzies. It's time for something new.

It's time for e-mail security as a service.

Getting e-mail security from IBM is now as easy as getting cable TV. You call IBM or

sign up on the Web, and IBM does the rest.

Starting at \$1.80 per e-mail address, per month, the IBM Express e-mail security service filters out spam and intercepts viruses, pornography and malware *before* they ever get to your network. And, because it's a service, you don't have to buy, upgrade or manage any software or hardware.

Security goes from chronic fear to IBM-grade reassurance. Licensing and upgrades become a thing of the past. So do unplanned costs. Three less things to worry about. Just like that. For any size company.

Soon, everyone will buy security as a service. To help you get there, you can try IBM Express e-mail security service at no charge for 30 days.*

To learn more, call 1-866-264-5719 or visit ibm.com/businesscenter/security29

30 DAY TRIAL. CALL 1-866-264-5719



By Steve Forbes, EDITOR-IN-CHIEF

With all thy getting get understanding



Who'da Thunk It? Coffee Is Hot

WE ARE AGAIN IN ONE OF THOSE PERIODS IN WHICH AMERICANS doubt whether our economy can adjust prosperously to ever-increasing global competition. At different times in the past we've been concerned about whether we could hold our own against Germany, Japan or Mexico. Now it's China, India and a host of other upwardly striving nations. All, it seems, can make many things cheaper than we can. But the key to economic growth is not just the low cost of production, it's the value added—the innovation, design or better architecture, or the sheer intangible of exciting fashion.

In the late 1980s, for instance, we were beset by fears that Japan and South Korea could make microchips cheaper than we could. Intel shut down a plant in Barbados and phased out a test facility in Puerto Rico. It and other American chipsters seemed to be facing oblivion. Turns out the key to success in chips was not cheaper production but developing advanced architecture. Intel and others did just that. Ads with the logo "Intel Inside" became ubiquitous.

Or take a current, perhaps more frivolous but no less instructive, example: coffee. It is the ultimate commodity. Any country that can grow it, does. Anyone can now grind coffee beans in his kitchen, and virtually every food outfit sells the stuff. U.S. coffee consumption per capita has fallen steadily since 1962. So how to account for the sensational success of Starbucks? It is a high-margin brand. Starbucks sells an infinite variety of the stuff—as well as tea and other libations. Anyone could have taken a shot of espresso and added steamed milk to it, but Starbucks was smart enough to sell it as latte and produce it—and everything else—consistently and well. Customers were soon lining up to indulge themselves with a luxury.

The welcoming atmosphere—you're encouraged to sit and while away your time—has enabled Starbucks to also sell an ever-tempting array of expensive, high-calorie pastries. It is now

even successfully peddling CDs. The company also pays attention to the details of how it labels things. In most food places you are offered small, medium and large. At Starbucks small has morphed into "tall." Medium, which sounds mediocre and bland, at Starbucks is called "grande." And large is "venti."

Why the fashion industry hasn't caught on to this type of strategy is a wonder. When the typical middle-aged male goes to buy a shirt, his heart sinks as he looks at the label with its "L" preceded by numerous "X"s. Similarly, middle-aged women hope that their dress sizes haven't swelled into "plus" sizes. Starbucks would never allow such self-esteem-destroying labeling. An outsize man or woman would find their fashions labeled "beauti-venti."

Starbucks also underscores a simplistic truism: A good idea is not enough; its execution is critical. Starbucks adds hundreds of outlets each year, yet quality and service rarely suffer. Compare that with the unhappy experience of Krispy Kreme, whose scrumptious doughnuts couldn't compensate for sloppy management—its stock has cratered, while Starbucks' continues to climb. (Since I, like millions of others, spend so much at Starbucks, I bought a handful of shares several years ago in order to profit from my habit. The stock was as overpriced then as it is now, so I have an as-yet-unrealized but richly aromatic capital gain.)

The Starbucks experience underscores the fact that America can successfully compete even in utterly un-high-tech products and services as long as we have an environment that encourages Starbucks-like innovation.

By the way, Starbucks' success energized Dunkin' Donuts to actively compete for the Starbucks market—it offers delicious fast-food breakfasts, such as cheese, egg and sausage on a croissant, *all day*, and its iced lattes surpass Starbucks' versions.

Jettisoning Justices' Injustice

ONE OF THE SUPREME COURT'S MOST ABOMINABLE DECISIONS, rendered in June, was *Kelo v. City of New London*, which allows governments to condemn private property for the purpose of economic development—in short, it forces homeowners and small businesses to sell their properties for the benefit of private developers. On this issue the Constitution is clear—except to the Supreme Court—governments are supposed to exercise eminent domain only for "public use," such as constructing highways or building schools. This ruling is an invitation to corruption. Those who have political power can now exercise it to punish enemies or force the sale of plum properties to favored friends. The decision has set off a firestorm, and now, thankfully, Congress may actually do something about it.

The House of Representatives recently passed legislation that

would forbid governments from condemning property for economic development. States or municipalities that continued to do so would be barred from receiving federal funds for economic development projects for a two-year period. Local powers would think twice about condemning a farm or home to facilitate the construction of a strip mall. The House bill enjoyed widespread bipartisan support. A number of liberal Democrats quickly recognized that the *Kelo* decision would be particularly deleterious to the least powerful—the poor and minorities. The Senate is supposed to take up a similar bill early next year.

Those who think government should have unlimited power to aid economic development should think twice. As the Institute for Justice, which fought against New London in the *Kelo* case, has observed, the threat of eminent domain often hinders rather than

Fact and Comment

helps economic development. The city of Scottsdale, Ariz. is a prime example of this. Years ago Scottsdale gave itself the right to condemn private property for private development in two particular sections of the city. But in 2002 and 2003 Scottsdale repealed those designations. Result: Nearly \$2 billion in new private investment has poured into those areas. A couple of months ago the Scottsdale city council repealed the designation in another area.

Why Do the Media Praise Pickpocketing Pols?

TIME MAGAZINE RECENTLY RAN A FEATURE ON THOSE IT CONSIDERED to be the best and worst governors in America. It's no coincidence that all of the best were praised for increasing taxes—in a couple of cases, big time—or, in the case of Kansas' chief, boosting "user fees." One of the "bad" governors was South Carolina's Mark Sanford, who had his knuckles rapped for being overzealous in trying to curb excessive state government spending. Both houses in the Palmetto State legislature are Republican-controlled and, like their GOP counterparts in Washington, just love to shovel out taxpayers' money. Unlike President Bush, however, Governor Sanford has consistently—and often successfully—battled those irresponsible, seemingly irrepressible impulses.

What often happens when an area is designated for development is that property owners, fearing condemnation, don't spend the necessary money to keep up their properties. As Bert Gall, an attorney with the Institute for Justice, put it: "There are other ways to encourage economic development without resorting to eminent domain abuse. Scottsdale shows that taking eminent domain off the table actually spurs economic improvement."

Time thinks this is just awful, but South Carolina's grateful voters are ecstatic. Sanford should handily win reelection next year.

Politicos love to spend money. When times are bad, their spending is supposed to stimulate the economy. When times are good, higher spending is to help fund "unmet needs." Yet if a governor or President stands in the way of these proclivities, most of the mainstream media label him as heartless or an enemy of progress. Governor Sanford went so far as to visit the legislature carrying piglets to protest pork-barrel spending. Instead of praising him for vividly making a sound point, *Time* snorted that this was "grandstanding."

If taxing and spending are so good, then journalists shouldn't object if revenue-hungry pols enact surtaxes on their incomes.

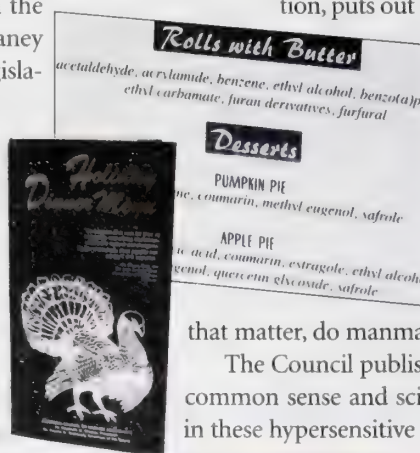
Unhealthy Nature

FOR DECADES WE HAVE REPEATEDLY UNDERGONE HEALTH SCARES, especially when it comes to supposed cancer-inducing chemicals. It seems that everything we eat these days is fatally poisoning our bodies. Remember the apple/Alar scare back in the Eighties? In 1958 Congress even passed the Delaney Clause of the Food, Drug & Cosmetic Act. This legislation originally banned from American foods any artificial substance that caused cancer in laboratory animals. Even though the Delaney Clause was amended a few years ago to set a new standard for pesticides of "reasonable certainty of no harm," its application to food additives still stands. Yet most carcinogens do us no harm—those poor lab rats for most of their lives have to consume the equivalent of tons of the stuff each day before they develop cancer. Overconsume anything and you're courting trouble.

Our hypochondria over carcinogens is no better illustrated than with the *Holiday Dinner Menu* that the American Council on Science & Health, a nonprofit consumer education organization, puts out at Thanksgiving and Christmastime each

year. The point of this menu is to illustrate that our favorite foods are "loaded with chemicals that can cause cancer in laboratory animals when administered in very high doses—but none of these 'carcinogens' are manmade or added to the foods. They occur naturally. Good news: These natural 'carcinogens' pose no hazard to human health—nor, for that matter, do manmade ones."

The Council publishes the menu in the hope of promoting common sense and scientific reasoning—an ever-uphill battle in these hypersensitive times.



RESTAURANTS: GO, CONSIDER, STOP

Edible enlightenment from our eatery expert Tom Jones and colleagues Patrick Cooke and Monie Begley, as well as brothers Bob, Kip and Tim.

● **August**—359 Bleecker St., between West 10th and Charles streets (Tel.: 212-929-4774). Serving delicious fare, this is a terrific spot for a casual supper or lingering over brunch. The assorted charcuterie, the arugula salad and the carpaccio are all first-rate, and it's difficult to choose the best among the monkfish, the pork belly and the beef. Have the pot de crème for dessert.

● **Jovia**—135 East 62nd St. (Tel.: 212-752-6000). Situated in a luxurious town house, Jovia is a good-looking and glamorous place. However, this establishment is as disorganized, unwel-

coming and disappointing as it gets. The food is uniformly bad, haphazardly served and tepid more often than not.

● **Ben and Jack's Steakhouse**—219 East 44th St. (Tel.: 212-682-5678). This is the brainchild of a group of former Peter Luger waiters who decided to try to recreate the magic of that legendary Brooklyn restaurant in Manhattan. They have succeeded and offer some of the most delicious steaks and seafood in town. Everything is mouthwateringly good, and here you can use your credit card! **F**

OYSTER PERPETUAL DAY-DATE



WWW.ROLEX.COM  **ROLEX**

NEW YORK

For an Official Rolex Jeweler Call: 1-800-367-6538. Rolex • Oyster Perpetual and Day-Date are trademarks.

Other Comments

Necessity does the work of courage.

—GEORGE ELIOT

Desire for Defeat Senator Patrick Leahy (D-Vt.) [recently] made a speech urging the U.S., in effect, to get out of Iraq the way we got out of Vietnam. Leahy told the Senate that we cannot win in Iraq. And Leahy announced that the President must lay out a public formula to tell the world just when U.S. troops will leave Iraq. Otherwise, Leahy said, he will urge the Senate to choke off the war by refusing to fund it. That's how the U.S. finally lost Vietnam: Congress snuffed out the money.

Leahy's words lighted up a deep, dark secret that this nation would rather forget. Defeat in Vietnam was a catastrophe for the U.S., a body-slam to the nation's self-confidence. It was far worse for Southeast Asians, who were exiled, imprisoned, tortured and murdered by their vicious Communist conquerors. But for left-wing Democrats it was a triumph. Forcing the mighty U.S. military to run away was the greatest victory they have ever known. Senator Leahy thinks that he can smell another Vietnam. Not this time.

—DAVID GELERNTER, professor, Yale University,
Los Angeles Times

Enviably Innovative The government's monthly figures for job growth mask gross flows for job creation and job destruction many times their size—a process reflecting the judgments of business owners and managers who assemble the economy's jigsaw in new and valuable ways. U.S. markets allow entrepreneurs to create the celebrated “resilience” of our economy, in which labor and capital swiftly respond to shocks from financial market downturns, or disasters such as Katrina, just as they do in response to opportunities for innovation and expansion. Much of the current policy discussion of the ups and downs of the labor market harkens back to entrepreneurship as “creative destruction.” This conception has fueled policy anxiety over job loss and global competition. But so much of productiv-

ity-enhancing entrepreneurship is really about “nondestructive creation,” in which new products and ideas generate growth.

Over the past quarter-century, average U.S. labor productivity has risen by two-thirds. This enormous increase in workers' ability to produce has not come at the expense of jobs. The 40 million new jobs created over the same period reveal the secret of an entrepreneurial economy: Successfully seizing business opportunities can raise living standards and employment. For this reason, entrepreneurship—the motor that drives the labor market—must be a focus of study in business education and policy making.

—R. GLENN HUBBARD, dean, Columbia Business School
Wall Street Journal

Make Way for a New Way A wise man will make more opportunities than he finds.

—FRANCIS BACON

The Chance to Vote When they're given a chance to vote, Americans don't like big government. Just look at the last few elections: Oregon's liberal electorate twice voted to reject a proposed tax increase, thereby instructing the legislature to cut spending. Alabama voters rejected Governor Bob Riley's \$1.2 billion tax hike by a 2-to-1 margin. Voters in Virginia turned down proposed tax increases for new roads. California voters tossed out big spending Governor Gray Davis, and 62% of them voted for candidates who promised not to raise taxes to close the state's deficit.

Federal taxpayers never get a chance to vote on taxes and spending. If they did, we might see a resounding rejection of President Bush's massive increase in the federal budget.

Voters know that politicians tend to spend money to get votes, not to solve problems.

—DAVID BOAZ, Cato Institute

Bon Appétit Naturally occurring rodent carcinogens are present in far greater amounts in our food supply than are pesticides and other chemical residues (the much-publicized rodent carcinogens). As we enjoy our holiday dinner, we should remember the benefits that scientific research has brought to American agriculture and food technology. Science has made our food safer, more nutritious, more attractive, more abundant, more widely available and more enjoyable—and has done so at relatively low cost. The American food supply is truly the envy of the world!

—American Council on Science & Health
Holiday Dinner Menu

Holiday Cheer Always remember there are two types of people in this world. Those who come into a room and say, “Welcome here I am!” and those who come in and say, “Ah, there you are!”

—FREDERICK L. COLLINS



“How much of a gratuity does Santa usually get?”

“I want solutions for
my business.”



What do you want? ***The Power of the PyramidSM*** can help get you there.

Every business has its own unique responsibilities and issues. And because one size doesn't fit all, Transamerica offers tailor-made retirement planning, executive benefit, and insurance solutions designed with one thing in mind—helping you get what you want. Even admiration from the person in the mirror.

Contact your financial professional, or
Call 1-800-PYRAMID
www.transamerica.com

 **TRANSAMERICA**
The Power of the PyramidSM

In New York, insurance products underwritten by Transamerica Financial Life Insurance Company, Purchase, NY. Insurance products underwritten by Transamerica Occidental Life Insurance Company and its affiliates outside New York. Not available in all states.

Member of the AEGON Group

When you want to express your devotion to The Dow, nothing says it like Diamonds (DIA). Exchange traded fund, Dow Jones Industrial Average, in every single share. They're tax efficient, and have low management fees, too.* Like stocks, Diamonds have risks. Ask your advisor for details. Or forever hold your peace. **www.DowDiamonds.com**. Ticker symbol DIA.



STATE STREET
GLOBAL ADVISORS

SSGA

An investor should consider investment objectives, risks, charges and expenses of the investment company carefully before investing. Please read the prospectus carefully before investing. *Usual brokerage commission. American Stock Exchange LLC, pursuant to a License Agreement with Dow Jones. Diamonds are not sponsored, endorsed, sold or promoted by Dow Jones. ALPS Distributors, Inc., a registered broker-dealer, is distributor for the Diamonds Trust, a unit investment trust.

s) that give you 30 blue chips, the entire Dow Jones Industrial
be traded all day long, and of course, they are subject to similar

The 30 blue-chip companies of The Dow in every share.

I Dow.

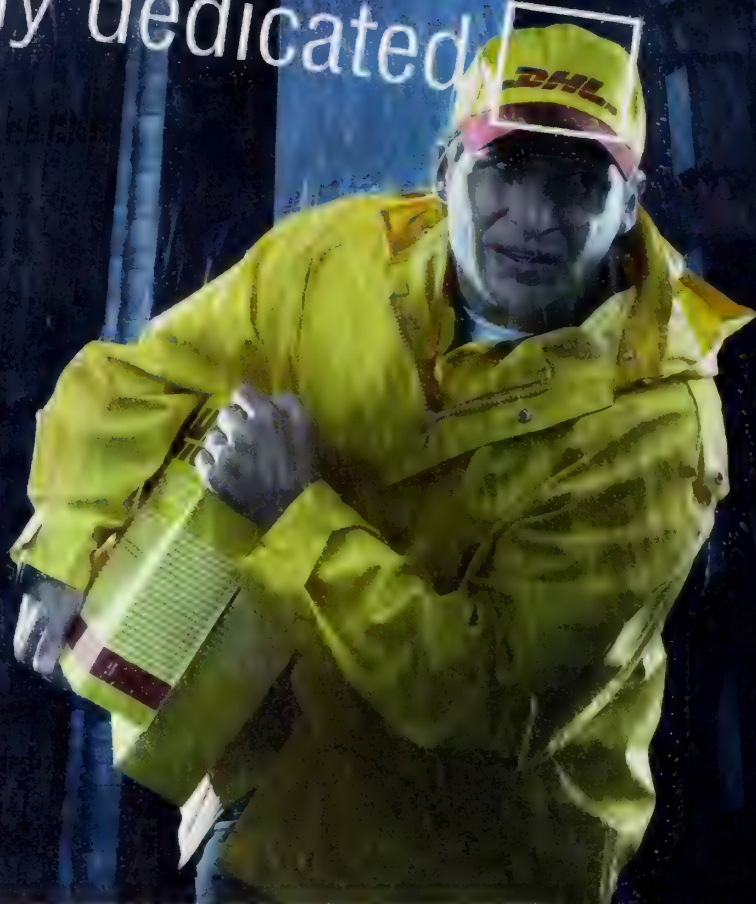


THE DOW® INDUSTRIALS
DIAMONDS
LISTED
AMERICAN
STOCK EXCHANGE®

investing. To obtain a prospectus, which contains this and other information, go to www.DowDiamonds.com

S. Dow Jones Industrial Average™, The Dow® and Diamonds® are trademarks of Dow Jones & Company, Inc., licensed for use by PDR Services LLC and
Jones makes no representation regarding the advisability of investing in Diamonds. ©2005 American Stock Exchange LLC

Not dedicated ☐
Dedicated ☐
Very dedicated ☐
Extremely dedicated ☒



We're bringing customer service back to shipping. With people who understand your business. People who call you back. People who help you out when you have a problem. Call us at 1-800-CALL DHL. And we'll show you how we're changing the way the shipping business does business.

www.dhl.com

DHL



There Has Never Been a Good Second Term

THIS IS ONE OF THOSE MYTHS THAT TAKES ROOT IN THE MINDS of various columnists and “thinkers” and is repeated so often that the mere frequency of the repetition seems to make it true. The fact is, there have been several Presidents who have had good second terms.

George Washington, most historians agree, would have been elected to a third term had he wanted one. The few internal squabbling that occurred during his second term were nothing that could have put off the voters. But Washington, sensible and modest as always, vastly preferred to return to Mount Vernon.

Grover Cleveland was initially, as they say, “counted out” for a second term. However, his first term had gone so well that voters, after electing Benjamin Harrison, returned Cleveland to the White House for a second four years. Available data show no disasters in his second term as President.

Presidents Abraham Lincoln and John F. Kennedy were both killed by assassins' bullets. Lincoln, who was reelected, barely began his second term. Kennedy wasn't even allowed to serve out his first, yet his appeal was so strong it's generally agreed that a majority of the voters would have reelected him.

Not only did Franklin Roosevelt not have a bad second term, he was even elected to a third and fourth. FDR's problem was that he kept getting reelected so often that a constitutional amendment on presidential term limits was passed.

President Ronald Reagan's second term couldn't be called bad—except by those voters who failed to believe that anyone who violated conventional wisdom so often could be good for anything. Reagan had one or two assistants who couldn't remember that they hadn't been elected President—or anything else—but they weren't around long during his second term.

Why President Bush?

So what is it about President George W. Bush that has led to the title of this column's becoming a mantra? It's as if second-term success has so infuriated writers and “sub-experts” that they virtually foam at the mouth when the President's name is mentioned. Some of this response stems from the opposition's inability to defeat Bush in 2004. But it also comes from the fact that Bush's violation of conventional wisdom seems to work—the economy is strong and his latest appointments have generally received high praise.

Also we have at long last a comprehensive energy bill that will encourage energy production from solar and nuclear sources. The fact that this bill promotes the use of energy sources other than environmentally harmful fossil fuels is a clear plus for the Administration.

Now that we are nearly a year into the President's second term, just how strong is our economy? The answer is in the numbers. The GDP grew 3.8% in the third quarter. This is the tenth consecutive quarterly increase of above 3%. As noted by *Washington Times* columnist Gary Andres on Nov. 3, it is the longest streak of consistent growth since World War II. Reuters on the same day also noted that business productivity surged in the third quarter and said that other indexes are equally good. On Nov. 4 the government's new employment figures showed that 56,000 new jobs had been created in October. That means more than 4.2 million new jobs have been created since May 2003. The current unemployment average of 5% is lower than averages in the 1970s, 1980s and 1990s, and inflation has remained tame.

All this is positive economic news, yet most of what we read or hear today are the stories that manage to emphasize whatever bad news the press can find. If, however, the test, as we used to be told, is “it's the economy, stupid,” then President Bush's second term is a clear success.

And, despite an eloquent plea by Representative John Murtha (D-Pa.), for whom I have the greatest respect and with whom I worked closely in rebuilding the power and strength of our armed forces, the House correctly set to rest the adoption of Murtha's call for the immediate withdrawal of our troops from Iraq, a call that attracted only three votes. We must stay the President's course.

Whither the Rest of the GOP?

President Bush has had the political courage to push for the long-needed full-fledged reform of Social Security, but many GOP House and Senate members have not exhibited similar courage on this or some other issues. In an editorial entitled “Republican Self-Defeat” the *Wall Street Journal* named 25 GOP House members who had demanded that a provision allowing oil exploration and drilling in the Arctic National Wildlife Refuge be stripped from a GOP-proposed budget bill. The House had already voted five times since 2001 to allow oil exploration in the ANWR. And although prices continue to soar, this same crowd also opposes drilling for natural gas on the Outer Continental Shelf.

This puts some of the GOP in the curious and unwelcome position of insisting on policies that won't allow the drilling that could lower oil prices, while refusing to continue what the *Journal* correctly calls the President's “wildly successful tax cuts.”

President Bush is having a very successful second term, and, as the participation of the Iraqis increases, it warrants President Reagan's remark to critics some time ago, that this term is “not bad, not bad at all.”

F

SOME PEOPLE THINK ALL INSURANCE IS THE SAME.

They buy the least expensive they can find.

And then they have an insurance claim.

That's when they learn — the hard way —
that not all insurance companies treat you the same.

If being treated fairly and paid quickly are important to you
when you or your business has a loss, you want Chubb.

When you insure with Chubb, you're buying *real* insurance.

So, insure with the best. Insure with Chubb.

To learn more, go to chubb.com.

Relax. You're insured with Chubb.SM

• COMMERCIAL INSURANCE • SPECIALTY INSURANCE • PERSONAL INSURANCE



Chubb refers to the insurers of the Chubb Group of Insurance Companies. Actual coverage is subject to the language of the policies as issued.
Chubb, the Chubb logo, and CHUBB are registered trademarks of Chubb & Son, a division of Federal Insurance Company.



A Merry Economy

WORRY, GRINCHES, BUT THE U.S. ECONOMY LOOKS LIKE SANTA'S. It is being powered by GE/Rolls-Royce jet engines. The third quarter clocked a 3.8% GDP growth rate. The third quarter! Recall: This was the quarter of Katrina, Rita and \$70-a-barrel oil. The buckle-your-belt, we're-going-down quarter. But we didn't go down. We went up. So did the stock market—up 5% since President Bush raised Ben Bernanke to Alan Greenspan's throne at the Fed.

Next year? It looks good. Thanks to Microsoft and its expected release of Windows Vista, tech spending will rise. An 11,000 Dow will lift CEOs' spirits and open their pockets. Larger portions of that \$2 trillion cash pile now sitting idly on American corporate balance sheets will pour back into productive investment.

Worries? Inflation. Signs are mixed—oil is down; gold, still up—but this column's favorite Wall Street economist, David Warshaw, discounts the inflation threat. Darker clouds loom, says Warshaw. Watch to see if Congress has the guts to extend the 2003 tax cuts. These pro-investment cuts expire at the end of 2008. Failure to extend them will be tantamount to a 33% tax hike on capital gains and a 133% bump on dividends. The market won't like that. On the other hand, if Congress makes the cuts permanent or extends them to 2010, the Dow will go to 12,000.

For now, relax. Feel jolly about buying Christmas presents. Here are my favorite picks.

Sheepskin car-seat covers. I installed a pair in my Lexus. That Lexus runs like a fine watch, but in the summer it also traps heat like a greenhouse. Park in the sun and you'll have a damp bottom within two minutes of returning to your car. A wet spot on the seat of one's pressed khakis rather kills the dress-for-success look, you ask me. So get some sheepskin covers—cool in summer, warm in winter. Go to www.seatcovers.net for a good selection. Bose QuietComfort 2 noise-canceling headsets. Following a 15-hour round-trip to Beijing last year, my ears buzzed for a month. Late-age deafness runs in the male side of my family, and I don't want to go there. So I spent \$299 for Bose headsets. They're superb. Do your ears a favor and go to www.bose.com. Another treat for your ears, neck and upper back—a hands-free wireless telephone headset. I recommend the GN Netcom models, which you can find at www.phonemerchants.com and other Web sites. If I'm on a key phone call, I like to stand up and pace while talking. But if the call is one of those boring conference hoo-has, I prefer to catch up on my e-mail at the same time. These headsets work for both kinds of calls.

Michael Connelly mystery novels. The brilliant and prolific Connelly knocks all other living mystery writers to the minor leagues. Los Angeles police detective Harry Bosch ranks with Sherlock Holmes as a complex, memorable character. If you haven't experienced Connelly yet, I envy you the fun you're in for.

• Those annual "Best American Series" books published by Houghton Mifflin. The series includes short stories, mysteries, essays, travel writing, science and nature writing and, my own favorite, sports writing. While you're at it, be sure to get *The Best American Sports Writing of the Century*, edited by David Halberstam and Glenn Stout. Here you'll find Gay Talese on Joe DiMaggio, John Updike on Ted Williams' last at-bat, Grantland Rice on the death of Babe Ruth, and more. This is powerful stuff. Look for it at www.amazon.com.

• The Wilson K2 Pee Wee game ball. Is there anything better than tossing a football around with family members during the holidays? Get a grip—that is, get a football you can grip. Standard-size footballs are too big for most of us. Try the Wilson K2 Pee Wee ball. It looks official, it grips well, it spirals just fine. It fits throwing hands of those from 8 to 80. Buy it for \$32.50 at www.opentip.com and send your mother-in-law long.

• If you don't mind going long in the pocketbook and want to buy a sport coat or suit that'll please you the rest of your life, check out the Napoli Couture line from Ermenegildo Zegna. The Australian "15 Milmil 15" wool feels like silk, breathes like Egyptian cotton and wears like iron. Take a look at www.zegna.com.

• Island Pro AKA sandals. Whether you're escaping to the Bahamas this Christmas or just hanging around the house in Michigan, you'll want to hum Jimmy Buffett tunes in these flip-flops. Oiled leather straps keep the blisters away. They are a bargain at \$29.99—go to www.meltontackle.com.

• The best golf or polo shirt if money is no object? The Bobby Jones line, at \$135 per shirt—www.amazon.com. Best for under \$40? Nordstrom Smartcare Piqué Polo—www.nordstrom.com.

• Sleep Number Bed by Select Comfort. If you hear the radio and TV ads for this bed—a remote-controlled air mattress—you can be forgiven for thinking its chief aim is to save marriages. He sets his number high/firm; she sets hers low/soft. Both sleep, and all is bliss. The truth is, my wife and I prefer the same setting. The real benefit is when you, yourself, want to try a new number. Let's say you were hunched too many hours at the laptop and your shoulders feel like concrete. Pick a low/soft sleep number for a good night's rest. Or say you hacked 36 holes of golf and your lower back aches. Try a high/firm setting. Sounds complicated, but it isn't. Go to www.selectcomfort.com to learn more.

• Microsoft, Dell and Symantec. Put a few shares of these in your Christmas stocking. Microsoft and Dell should rise prior to the release of the aforementioned Windows Vista later in 2006. Symantec, the computer security software leader, is a buy even Scrooge value investors can like.

■

Forbes
.com

Read Rich Karlgaard's daily blog at <http://blogs.forbes.com/digitalrules> or visit his home page at www.karlgaard.com.

PREEMPTIVE SECURITY IS HERE.

Prevent MAJOR INTERNET THREATS — *before* THEY RUIN YOUR DAY.

Proventia ESP



Proventia ESP (Enterprise Security Platform) from ISS stops Internet threats before they impact your business. With intrusion prevention and vulnerability assessment products and services, Proventia ESP reduces your overall risk and helps enable regulatory compliance and business continuity. Only ISS keeps you ahead of the threat with preemptive protection for your entire enterprise. [Download a free white paper at www.iss.net/ESP/forbes](http://www.iss.net/ESP/forbes), or call 1-800-776-2362.

NETWORK & HOST INTRUSION PREVENTION | VULNERABILITY MANAGEMENT | MANAGED SECURITY SERVICES

© 2004 Internet Security Systems, Inc. All rights reserved.

18 | November 18
FRIDAY

3 p.m.

Testify RE:
Network security breach
(bring lawyer)

2005 CALENDAR

 **INTERNET | SECURITY | SYSTEMS®**

Ahead of the Threat.™

Do Shoppers Get 72% Off?



The Internal Revenue Service says that Robert B. Diener and David S. Litman, cofounders of Hotel Reservations Network, which became a pioneering online travel booking site, improperly avoided taxes on \$114 million in capital gains. After coughing up \$30 million more in taxes and penalties, they are suing in

the Court of Federal Claims for a refund. The pair, who met after law school and have started a number of businesses, launched HRN in 1991. They sold out in 1999 to USA Network, which brought the service public in 2000. That's the year the IRS says the two took restricted stock in lieu of future payments, put it all in a "liquidating trust" and claimed a 72% lack-of-marketability discount. The feds say that no such discount was warranted. HRN is now called Hotels.com. Meanwhile, Diener and Litman just started Consumer Club, which offers discounts to online shoppers.

—Janet Novack and William P. Barrett

Maybe He Got Caught in a Matrix

By the 2002 deadline for settling his 2001 federal taxes, actor Laurence Fishburne (*right*), perhaps best known for his big-screen portrayal of the mysterious, leather-clad Morpheus in *The Matrix* and its sequels, had paid only \$251,000 of the \$1.25 million the IRS later said he owed. Nor did he file the return itself, showing \$3.1 million in taxable income, until January 2004. Fishburne, 45, just sued in U.S. Tax Court seeking an unspecified refund, plus cancellation of a \$249,000 delinquency penalty on the ground that the feds wrongly rejected his "reasonable cause." The rationale behind his plea for tardiness relief wasn't detailed in the court filing.



—J.N. and W.P.B.

They Hold Your Hand

Stockbrokers picking mutual funds create no identifiable value for their customers, an academic study says. Harvard's Daniel Bergstresser and Peter Tufano and the University of Oregon's John M.R. Chalmers say such customers end up paying "substantially" higher fees and get lower, risk-adjusted returns compared with an investor who makes independent decisions and buys directly. The researchers used alternating-year data between 1996 and 2002. The last period covered 10,415 share classes in 4,541 funds holding \$3.8 trillion in assets. Their conclusion: "We find it difficult to identify the tangible benefits delivered by brokers."

—J.N. and W.P.B.

More Like High-Tech Thousands?

In March 2004 Howard S. Jonas, chairman of Newark, N.J.'s IDT Corp., published a book called *I'm Not the Boss, I Just Work Here: Insights and Lessons from the Founder of America's #1 Telecom Company*. Since then shares of the phone service and prepaid calling card provider have fallen 44% to a recent \$12.06. In the fiscal year ended July 31, IDT, which is trying to branch into entertainment, lost \$44 million on \$2.5 billion in revenue. Jonas, 49, has brushed off critics griping about poor corporate governance, insider dealings and regulatory difficulties. His previous book, which came out in 1998, was *On a Roll: From Hot Dog Buns to High-Tech Millions*.

—Tomas Kellner

Defense Lawyers Get to Hone Skills, Too

A *Journal of Law and Economics* study says assistant U.S. attorneys in areas with well-paid private lawyers take more cases to trial than their counterparts elsewhere. The reason: to gain experience. Economists Richard Boylan of Rice University and Cheryl Long of Colgate University reviewed 8,769 federal drug cases from 1994 to 1998 and tracked the career paths of 1,000 prosecutors. Conclusion: Trial work provides "an opportunity to accumulate human capital that benefits their future careers in the private sector" with better salaries.

—Tatiana Serafin

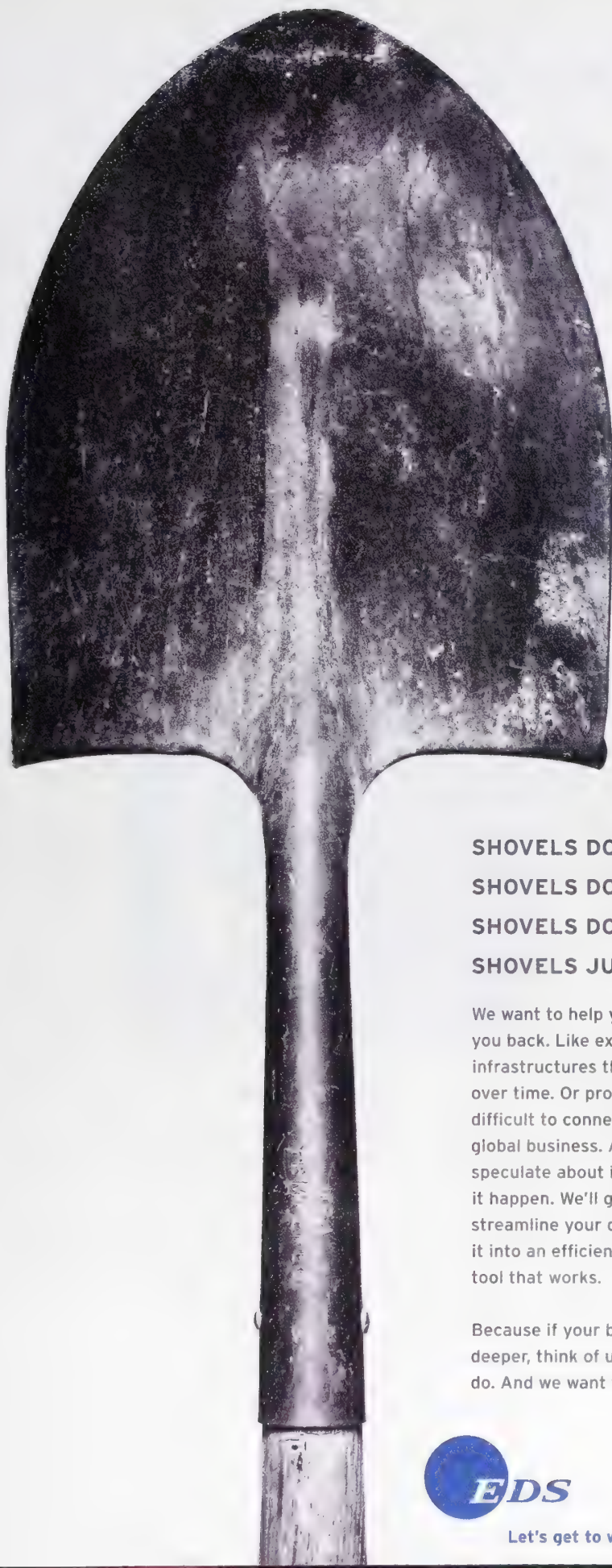
Of Course Not

"It's not about the money," news outlets quoted those below about their big demands in recent cases. —Daniel Fisher and W.P.B.

SPEAKER/LOCATION	LAWSUIT CLAIM NOT PROMPTED BY MONEY	AMOUNT
Mary Beck/Seattle, Wash.	Boeing discriminated against women	\$41 million
Russell Burgess/Oquossoc, Me.	His old horse died in stable fire	\$3 million
Starry Cousins-Brandon/Harvard, Ill.	Students harassed daughters on racial grounds	\$25 million
Bob Dougherty/Nederland, Colo.	Prank at Home Depot glued him to toilet seat	\$3 million
Maggie Rizer/New York, N.Y.	Jailed stepfather stole \$7 million from her	\$23 million
Kathy Thompson/Albany, Ind.	Estranged husband owes her for chores	\$500,000
Paul Wein/Altamont, N.Y.	Client's construction project was impeded	\$17 million

Source: Print and broadcast news accounts.





**SHOVELS DON'T HOPE.
SHOVELS DON'T WISH.
SHOVELS DON'T TRY.
SHOVELS JUST DIG.**

We want to help you fix a problem that's holding you back. Like expensive, rigid, and unwieldy infrastructures that have been built piecemeal over time. Or processes that make it ridiculously difficult to connect the parts of your changing global business. And we don't mean we'll speculate about it. No. We mean we'll make it happen. We'll get to work to simplify and streamline your complex operation and turn it into an efficient, reliable, and cost effective tool that works.

Because if your business needs to dig a little deeper, think of us as your shovel. It's what we do. And we want to do it for you. www.eds.com



Let's get to work.

On My Mind

By Robert H. Nelson, PROFESSOR, SCHOOL OF PUBLIC POLICY AT THE UNIVERSITY OF MARYLAND; ADJUNCT SCHOLAR, COMPETITIVE ENTERPRISE INSTITUTE; AND AUTHOR, *PRIVATE NEIGHBORHOODS AND THE TRANSFORMATION OF LOCAL GOVERNMENT* (URBAN INSTITUTE PRESS, 2005)

Privatizing the Inner City

Forget condemnations. Here's how to bring housing, Costco and Ikea to urban areas.

IN JUNE THE SUPREME COURT SAID THAT NEW LONDON, CONN. could force Susette Kelo and a small group of homeowners to sell out to private developers. It was not a popular decision. Already the U.S. House of Representatives has passed a bill to deny federal funds to state or local governments that use eminent domain powers for economic development. Many state legislatures are considering similar laws. (See *related commentary*, p. 33.)

But older cities face serious land-use problems. How can a dense urban area like New London or Hartford revitalize itself if developers have to build one lot at a time? Should residents of failing cities insist that shopping centers be built only in the far suburbs, displacing farms and increasing suburban sprawl? Must all large housing developments be relegated to the exurbs?

There is a better way to give developers access to sizable plots of land in the city: allow homeowners to privatize their neighborhoods and sell en masse directly to developers.

A recent example of how this would work can be found at a housing cooperative in Washington, D.C. known as Sursum Corda ("lift up your hearts"). Sursum started out in the late 1960s as a rental project sponsored by the Department of Housing & Urban Development. In 1992 it was converted to a cooperative, privately owned by the former tenants. Six months ago developer KSI came knocking. It wanted to put up a 500-unit development on Sursum's 6-acre site. In late October the 167 low-income families in Sursum Corda agreed to sell their neighborhood to KSI. The families will receive \$80,000 per unit, a future share in KSI's profits from the site and an option to purchase a discount-priced home in the development. The transaction was approved by a board vote—no solo holdout could stop the bulldozers.

This is a good deal for all sides. Under competitive pressure from other developers, KSI raised its initial offer by \$30,000.

Because the families bargained together as a single unit, they got a better deal than they could have gotten as individuals. The land, which lies close to a new Metro stop, will be converted to more valuable use.

Many other nations have long had laws that make it easier for property owners to pool their resources. In Japan these laws played a significant role in reconstruction after World War II. Japanese property associations consolidate land, install infrastructure and lay out new development plans. A two-thirds

majority is empowered to make decisions.

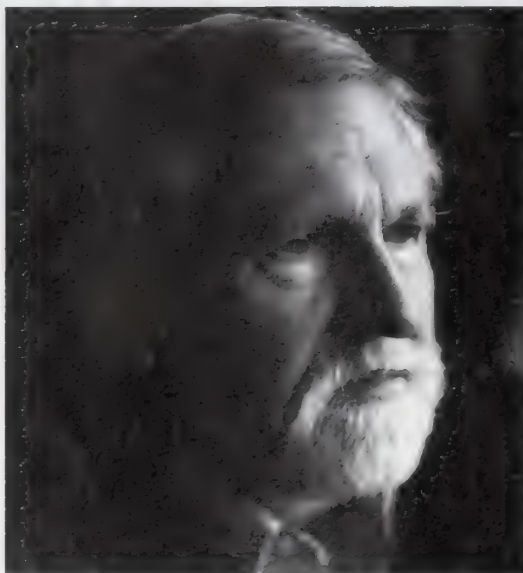
Community associations are spreading rapidly in America's suburbs. From 1980 to 2000 half of new U.S. housing was built within a community association. It's time that the benefits of associations become available in older cities as well.

A new state law would work like this: If a group of urban owners wished to consolidate their properties, they would petition the city. A transfer agreement for streets, parks and other public services would get worked out. Then if a supermajority of 70% or 80% voted to approve, a new private community association, including all the property owners, would be established.

There would be no cramming down eminent domain; the property owners themselves, through

a supermajority vote within their association, would approve any sale. And they'd get a price set not by judicial decree but by private negotiation. Proceeds would be divided according to the association's rules. If the owners preferred to stay in the neighborhood, rather than sell out, their new association would then function much like a residential version of a business improvement district. They could collect assessments, for instance, to sweep the sidewalk.

In the 1930s the Wagner Act provided for collective bargaining between newly organized workers and businesses. Today we need an urban Wagner Act that will enable collective bargaining between neighborhood property owners and developers.



"There is a better way to give developers access to sizable plots of land: allow homeowners to privatize their neighborhoods and sell en masse."



**You and us. It's not just the financial strength of our business.
It's what it can do for your business.**

At UBS, we understand that business is personal. We know that the choices you make as you build your business will have a profound effect on you, your family and your employees.

With your UBS financial advisor, you will have access to the resources of one of the world's largest managers of wealth, one of the fastest growing investment banks and a leader in asset management. He'll work with you to identify creative financing solutions designed to fund the growth of your business.

Your financial advisor can also discuss protection strategies, like long-term care and disability, insurance and estate planning.* He'll evaluate a range of retirement plans tailored to the needs of your employees, and explore a succession planning strategy to help address the needs of your heirs.

At UBS, our business is there to help yours. Our financial advisors are there to understand how. It's all part of a relationship we call 'You & Us.' UBS.

Wealth Management | Global Asset Management | Investment Bank

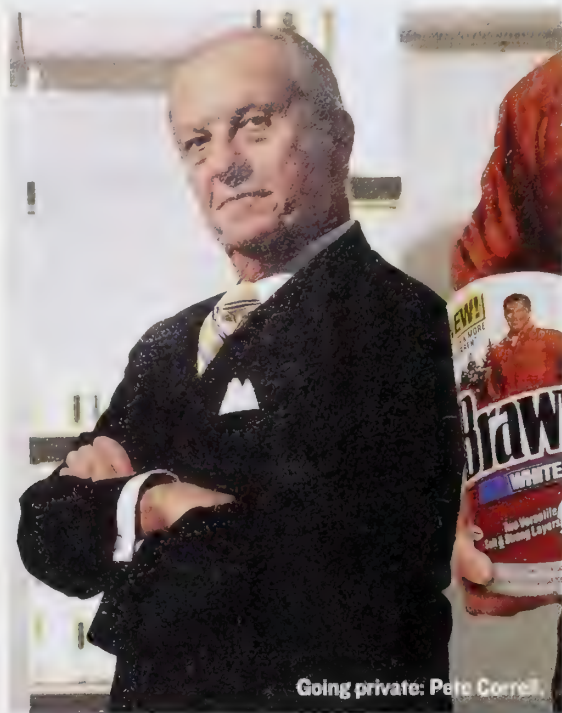
You & Us



Neither UBS Financial Services Inc. nor its employees provide tax or legal advice. You must consult with tax or legal advisors regarding your personal circumstances. ©UBS 2005. All rights reserved. Wealth Management services in the U.S. are provided by UBS Financial Services Inc., a registered broker-dealer offering securities, trading, brokerage, and related product and services. UBS Financial Services Inc., Member SIPC.

FEBRUARY 2, 2004

Paper Tiger



Going private: Pete Correll

Georgia-Pacific boss Alston (Pete) Correll was determined to turn his consumer products division into a smaller, more profitable enterprise. Didn't exactly work out that way. In November Koch Industries agreed to buy GP for \$21 billion, including assumed debt, transforming the industrial conglomerate into the nation's largest private company. The purchase price for the shares, 39% above where they were when the deal was struck, reflects Koch's bulging cash reserves and the confidence Koch has in its ability to refinance GP's debt. Correll will remain as a board member of the new GP subsidiary, but a Koch executive will take the GP reins in Atlanta.

—Phyllis Berman

OCTOBER 27, 2003

Phaeton Failure

How to market a luxury product when your image is folksy affordability? Such was the challenge faced by Volkswagen two years ago as it prepared to introduce its \$65,000

Phaeton luxury sedan in the U.S. Not surprisingly, the Phaeton flopped. Sales in the first ten months of this year amounted to 686 cars, far short of VW's 7,000-a-year target. In November Volkswagen admitted defeat and pulled the plug on the Phaeton in the U.S., saying it would halt sales in February. At least the car is selling in Germany, where Phaeton sales rose 23% so far this year, to 2,426 cars. VW can't afford further costly missteps. The company has lost \$960 million in North America so far this year.

—Allison Fass

APRIL 25, 2005

Slow Learner

We exposed the underperforming annuities that insurers and education unions had pumped into the retirement

accounts of 1.5 million schoolteachers. The Securities & Exchange Commission's solution, six months after our story: a tepid response entitled "Just for Teachers." The SEC delicately warns educators to watch out for the high costs, fat surrender charges and lack of tax advantages from these annuities.

—Neil Weinberg

SEPTEMBER 15, 2003

Death of a Salesman

Geoffrey Frost, Motorola's chief brand officer and the marketing mastermind behind the company's resurgence in the cellular telephone business, died suddenly in his sleep on Nov. 17, at age 56. Two years ago we described how the former Nike executive had transformed the company from moribund to hip, with its quirky "Hello Moto" slogan. Though much media attention, including *FORBES*'s, has been lavished on Chief Edward Zander, Frost deserves much of the credit for successes like Moto's best-selling ultrathin Razr.

—Mark Tatge

FLASHBACKS

85 YEARS AGO IN *FORBES* DECEMBER 25, 1920

Liberty for All Shall we put a chain across our harbor entrance and scrap the Statue of Liberty? Shall we, having by birth or choice gained the promised land ourselves, deny entrance to all others? That is what many men calling themselves Americans propose. They demand a law to "stop immigration." To refuse admittance to every virile immigrant, healthy of body and mind, would be not only un-American and un-Christian, but fatal to our fullest growth and prosperity, fatal to our ideals, fatal to democracy.

30 YEARS AGO IN *FORBES* NOVEMBER 1, 1975

Toyota on Top This is the year Toyota will become the top auto importer to the U.S. It may also be the company's last hurrah. With the lower end of the compact market increasingly crowded by Datsun and Chevette and Honda, and with the upper end increasingly preempted by Volkswagen, the next few years may not be such a happy ride for Toyota. Toyota Motor Sales' new president, Isao Makino, is watching nervously as GM's new Chevettes begin arriving on dealer floors. Toyota's U.S. market share in October was 15.1%, pulling up on No. 2 Ford's 17.3%.

20 YEARS AGO IN *FORBES* JULY 1 1985

Words From the Wise



In *Innovation and Entrepreneurship*, Peter F. Drucker sets out to teach, with plentiful examples, that innovation does not spring from Zeus' skull but is

a discipline and a practice. Accordingly, he lists seven sources of innovative opportunity, including changes in industry or market structure that catch everyone unaware; demographics—or invest in the baby boom when the kids are born; changes in perception, mood and meaning, or why people who eat at McDonald's are also customers for Cuisinart; and new knowledge—computers, rockets and all the rest.

Peter Drucker died in November at the age of 95.

NEW YORK BEVERLY HILLS
AVENTURA BOCA RATON
BUFFALO CENTURY CITY
CHICAGO CORAL GABLES
COSTA MESA DENVER
GLENDALE KING OF PRUSSIA
LAS VEGAS MARLTON
MCLEAN PALM BEACH
SANTA CLARA SHORT HILLS
TAMPA WASHINGTON DC
WHITE PLAINS

BOSS
HUGO BOSS

S E L E C T I O N

TELEVISION

Rebranding The Boob Tube

The big broadcast networks are slicing up their lineups to sell TV shows à la carte. But their rivals in cable are the ones remaking television | By Scott Woolley

VIEWERS AND TV CRITICS ALIKE jeered at the debut of *Pacific Blue* nine years ago. The schlocky made-for-cable drama, which aired on USA Network, was a weak heir to the 1970s network hit *CHiPs*, with cops riding bicycles instead of motorcycles. It epitomized the state of original cable programming a decade ago: cheap, chintzy and wooden.

"It wasn't too long ago you were watching a cable show and you knew just by looking at it," admits Matthew C. Blank, chief executive of Viacom's Showtime. But made-for-cable these days has taken on an utterly opposite connotation—delivering shows that are lushly produced, eruditely written, startlingly graphic, gratifyingly adult and often hilarious where they mean to be.

Showtime's critically acclaimed *Weeds*, a funny and touching look at a suburban soccer mom who turns to selling pot after her husband dies, is a prime example. For decades the three or four major broadcast networks spawned most of the program-

ming that filled up the TV dial. This year cable channels will spend \$13.4 billion on their own often boundary-pushing shows, up 65% in four years.

Fox's FX channel, emboldened by the success of its hyperviolent cop drama *The Shield*, has added a flurry of new shows, including a sitcom called *It's Always Sunny in Philadelphia*, a racier version of *Cheers*. Scads of new reality series on cable are one-upping *The Apprentice* on NBC: One on A&E, *Intervention*, rivetingly focuses on addicts (methamphetamine, sex, gambling) and captures them in confrontations orchestrated by loved ones.

Time Warner's HBO pay channel set off this Platinum Age of television with the debut of *The Sopranos* six years ago. It leveraged cable's innate advantages over the big broadcasters: the freedom to depict R-rated themes, language and action; the flexibility to air each episode multiple times in a week; and the latitude to worry less about advertiser pressures and forgo dumbed-down, inoffensive fare aimed at the broadest possible audience. (HBO airs



Lavish budgets for Showtime's *Huff*, starring Hank Azaria, led to love from critics—and seven Emmy nominations.

no ads, and cable channels get a second income stream from local operators.)

Now HBO spends \$100 million on the epic series *Rome*, blending ornate sets with pricey special effects. Other cable channels have followed suit, rapidly replacing the Big Four broadcasters (ABC, CBS, NBC and Fox) as the purveyors of the best-quality television. Says Scott Winant, a producer of such network hits as *Thirtysomething*, *My So-Called Life* and *The West Wing*: "I, as an artist, want to bring new and different stuff to TV, it inevitably ends up on cable."

For most cable channels a profit on show is nice but not the main point—th



l objective is to raise the profile and value a cable brand. "In a multichannel universe, brands matter. The brand is that shortcut in the brain," says Steven Koonin, former Coca-Cola Co. marketer who oversees Time Warner's TNT and TBS.

A one-hour episode of an ambitious new series can cost \$1 million to \$2 million more, and income from advertising, cable fees, DVDs, pay-per-view and international sales typically barely covers the expense. New windows now being pursued by the big broadcasters will add to cable's upside. ABC sells reruns of *Desperate Housewives* for Apple's iPod handheld player at \$99 an episode; NBC has just begun selling 99-cent reruns from its *Law and Order* franchise and other series via DirecTV; in January CBS begins selling 99-cent replays of its

CSI series, *Survivor* and other shows on Comcast cable systems hours after their first run.

But while the old nets race toward an on-demand world where channels lose out to ordering shows à la carte, cable spends massive sums on high-end original series to associate its brands with show lineups that can hold viewers' loyalty and respect.

Even in this cluttered era of hundreds of channels, the typical viewer routinely flips among only 14 or so favorite outlets, says Koonin. "The mind can't handle an infinite number of channels," he says. Only one in five TV shows is watched by appointment; the rest are stumbled upon by channel surfers, he adds.

Koonin believes a cable service should brand itself pretty much the same way he

used to brand a soda. "TNT. We know drama," is that outlet's tagline. TBS, once vaguely billed as the "Superstation," now focuses on comedy: "TBS. Very Funny." First-run shows are the key to defining your brand, he says. TBS is now shooting pilots for six new comedies. TNT's biggest investment was this year's elaborate Steven Spielberg-produced miniseries, *Into the West*, with six one-hour episodes, that cost a reported total of \$50 million to make.

The show was a hit, accumulating 30 million viewers as each segment aired six times. Better yet, almost 30% of the adult viewers under age 50 were new to TNT, and many stuck around to watch shows like the Kyra Sedgwick cop drama, *The Closer*. *Into the West* also lured half a dozen new advertisers to the cable channel. TNT is now shooting

another big-budget miniseries, Stephen King's *Nightmares and Dreamscapes*.

News Corp.'s FX has worked to establish itself as a Fox-on-amphetamines, with edgy, often shocking shows. Anthony Vinciguerra, head of Fox Networks Group, puts it this way: "On Fox you know you are not going to find *Little House on the Prairie*. FX is even more finely branded."

FX specializes in shows with painfully flawed heroes. *Rescue Me* focuses on an alcoholic New York City firefighter mourning the drunk-driver death of his 10-year-old son. Though typically it gets only 2.9 million viewers per airing—compared with 25 million for a top-ten hit such as *Desperate Housewives* on ABC—*Rescue Me* rates high among high-income adults under age 50. "I was going to say it's a big hit, but what's a big hit?" says Vinciguerra. "It's a show that is successful in hitting its target audience. If we ran *Rescue Me* on broadcast, it would be a dismal failure."

"Going for a broad audience and going for creative integrity are not necessarily the



Terrified of network TV: Stephen King's series, *Nightmares and Dreamscapes*, will air on TNT.

same thing," says HBO's entertainment president, Carolyn Strauss, who green-lighted *Sex in the City*, *The Sopranos* and other hits. Cable shows captured 188 Emmy nominations this year versus the broadcast networks' 218; five years ago cable got only 138 nominations while the networks got 254.

Cable shows use higher quality to stand out from the old nets, says producer Winant. "I really do at times pity network

executives. Their jobs must be so hard," he says. He now works on Showtime's *Huff*, darkly comic drama about a psychiatrist in crisis, and the channel agreed to spend thousands per episode to move filming from Vancouver to Los Angeles and to shoot more on location.

For viewers the story arc is clear: More new shows and more *good* shows are on the way than ever before.



BEER, THE NEW MARTINI

Beer honchos are working up an industrywide marketing campaign aimed at persuading you that brews are, brace yourself, sophisticated. They've got to do something.

Beer's share of the \$154 billion U.S. booze business has dropped to 46% from its 58% peak in 1993, according to industry tracker Impact Databank. The squeeze has been especially hard on Anheuser-Busch, which controls nearly half of the U.S. beer market and whose third-quarter profits were down 24% from last year.

What to do? Convince young adults partying at swanky night clubs to order a round of Budweisers instead of sipping flashy cocktails like cosmopolitans. Robert Lachky, a Busch exec who's heading the new marketing effort, has a few ideas. He's pushing a plan to sway drinkers to use a winelike vocabulary to describe beer ("nose," "aroma," "balance"). He wants to convince restaurateurs to match menu items to beer instead of wine—light lagers with salads and fruits, full-bodied beers for grilled meats and pastas. The beer mavens would also have you drinking Budweiser from wine glasses and low-carb Michelob Ultra from champagne flutes.

We're not making this stuff up. But in case they don't work, here are a few more marketing ideas we did make up.

- In ads, replace half-naked models wrestling in a swimming pool with beer connoisseurs debating varieties of hops over a friendly chess match.
- Encourage frat boys to chug Bud from martini glasses.
- Entice couples to replace champagne with beer for their wedding toast.
- Sell magnums of Budweiser Select with vintages (month and day).

—Matthew Miller



Isn't it time you had a Quiet Conversation™ of your own?

INSURANCE

RETIREMENT PLANNING

EDUCATION FUNDING

ESTATE PLANNING

There are times in life when you could really use expert financial advice. For more than 145 years, Northwestern Mutual and its products have quietly earned a most enviable reputation. Visit www.nmfn.com for more information.



Northwestern Mutual
FINANCIAL NETWORK®

The Quiet Company.®

The Quiet Company™ is a registered trademark of The Northwestern Mutual Life Insurance Company, Milwaukee, WI. Northwestern Mutual Financial Network® is a marketing name for the sales and distribution arm of The Northwestern Mutual.

Rick Wagoner: Report to the Principal

CAN GENERAL MOTORS' CHIEF EXECUTIVE, G. RICHARD Wagoner, Jr. survive? The question was raised anew after his Nov. 21 announcement that GM would close nine plants and eliminate 30,000 hourly jobs in North America.



The company has lost some \$6 billion on its auto operations so far this year. We've compiled a report card on his tenure since June 2000. Give him an A for taking on responsibility; he got workers to take on more health care costs. And another A for getting along with others—his directors are on his side, for now. But his other subject areas could stand some improvement.

—Joann Muller

FINANCE Net income was \$4.5 billion in 2000, Wagoner's first year. Since then automotive profits have plunged. Finance arm GMAC has raked in \$13 billion in profit since 2000. But GM's junk bond rating has choked access to capital, so now Wagoner is forced to find a buyer for the company's biggest moneymaker.

STOCK PRICE GM shares reached \$76 shortly after Wagoner took over. Now they're in the low 20s. That's worse than Ford Motor's performance.

U.S. MARKET SHARE The erosion started long before Wagoner took over. He stopped the slide for a while, but now GM's share is down two points in two years, to 26.5%.

MANUFACTURING Steady gains in quality and productivity have continued. But Wagoner has had to shrink the company, slashing 2 million units of excess factory capacity in North America.

BRANDS Fixed Cadillac but starved Saturn and killed Oldsmobile. Now trying to put Buick, Pontiac and GMC together. New products help Chevrolet and Hummer.

GLOBAL STRATEGY Squandered billions on investments in Fiat, Isuzu and Subaru's parent but picked up assets of bankrupt Daewoo for next to nothing. Parlayed an early entry into China into market dominance.

LEGAL AID

Let's Be Friends

Microsoft's army of lawyers must be getting positively dizzy from all the peace pipes they are smoking | By Victoria Murphy Barret

FOR MICROSOFT IT WASN'T ABOUT the money, it was about setting a tone. Nine antitrust lawsuits settled in 30 months. Hatchets buried in rapid succession with its oldest, staunchest rivals: Sun Microsystems, Netscape, RealNetworks. The tab: \$3.8 billion (excluding \$2 billion owed to states that filed class actions), or a rate of \$4.2 million in settlement checks per day. Big numbers, but keep them in perspective: Microsoft has \$40 billion in cash and earns \$35 million more every day.

Monopolists shouldn't have to cooperate like this. These days Microsoft needs all the help it can get. The company has been pushed to the sidelines as new areas of technology have boomed. Google domi-

nates ad-supported search. Apache, a software project of the open source movement, claims the majority of the Web server market. The iPod is stealing away fans of Windows-flavored digital entertainment.

So Microsoft settled. Says its chief counsel, Brad L. Smith: "In the Internet era companies need to work more closely together. We are creating an approach for addressing diverging interests."

Today only two lawsuits remain of the ten filed soon after federal judge Thomas Penfield Jackson declared in 2000 that Microsoft had abused its monopolies in

software operating systems and desktop applications.

Its warm-and-fuzzy future was in full flower in October as Bill Gates and RealNetworks Chief Executive Robert Glaser declared newfound mutual adoration to a roomful of journalists. RealNetworks had



Bill Gates is disbursing billions to settle suits—and make nice.

sued Microsoft two years ago, claiming it forced PC customers to use Windows' Media Player technology over its RealPlayer. With a \$761 million agreement in hand, Glaser was Gates' new best friend.

Smith has Microsoft Chief Executive Steve Ballmer's blessing to instill collaboration among all Microsofties—even if it has to be drilled into them in strict legalese. Over the past three and a half years Smith has upped the num-

ber of lawyers at Microsoft by 68% to 325. Many of them will work inside product groups to give legal advice on how to strike deals with rivals large and small.

haute couture



Making more possible



ABN-AMRO



No Stern? No Problem.

He's gone, and now Infinity's **Joel Hollander** has to kick-start his company—and broadcast radio.

THESE ARE DIFFICULT DAYS FOR Viacom's Infinity Broadcasting. Dec. 16 is Howard Stern's last live show before he moves to Sirius Satellite Radio. Infinity's revenues are down 48% to \$2 billion since 2000 (as ads move to the Internet and cable), while Viacom's cable revenues are up 61% over the same time. When \$22.5 billion (sales) Viacom splits in two next month, Infinity Radio will account for 15% of revenue of new parent CBS, compared with 9% at Viacom.

Joel Hollander, 49, was tapped in January to see the company through this transition. A founder of the first 24-hour sports radio station, WFAN in New York, and former head of Westwood One, Hollander immediately embarked on big changes. He fired disc jockeys at 11 stations in favor of the "Jack" format, which

relies on prerecorded witticisms and a smorgasbord of music genres, and last month he announced that former Van Halen front man, David Lee Roth, would take over for Stern in markets like New York, Philadelphia and Boston. He spoke with FORBES' Dorothy Pomerantz.

By the end of 2006, 40 million people will be listening to iPods. In five years satellite radio subscriptions will go from 7 million to 20 million. Is broadcast radio dead?

Absolutely incorrect. We dispelled that myth when we changed [KCBS in Los Angeles] to Jack on St. Patrick's Day, and 121 days later the radio station went from 18th to first. If you have the right environment for music, the right content, people will find it, and they found it in a very short period of time in Los Angeles.

But you've been booed in New York for changing WCBS from oldies to Jack. Arbitron now ranks the station 22nd out of 40 there.

It's never easy to be criticized, but when you make a global decision and you take a piece of content and spread it over 11 stations and you're successful on 10 of them, I'll take that batting average any day of the week.

Will you miss Howard Stern?

You know what? It's been a lot of fun with him. As difficult as it is at times, he's a brilliant broadcaster, and he has made a lot of money for advertisers, for shareholders and for employees. From that aspect certainly we'll miss him, but the world goes on, and we'll be successful, and hopefully he'll be successful, but not as successful as us.

You've asked investors to be patient and give you as much as two years before judging your

Gilt-Edged

Inflation, high oil prices, volatile dollar: No wonder investors have taken refuge in gold, pushing the metal to \$490 an ounce, close to its 18-year high. Too late to jump on this defensive bandwagon? EverBank Direct, an innovative online bank in Jacksonville, Fla., is offering half-hearted goldbugs an unusual way to hedge their portfolios with the metal: five-year certificates of deposit with the return tied to the price appreciation of gold. Should gold prices fall or remain flat, you simply get your principal back. Minimum investment: \$1,500.

EverBank President Frank Trotter says the CD appeals less to speculators and more to investors with no stomach for gold's volatility. "If the price of gold reaches \$1,000, that would be a great return," he says, "but it probably means something for the economy too scary to contemplate."

—David Armstrong

post-Stern strategy. Isn't that a lot to ask?

When you're replacing someone who's been on the air for 20 years, it takes some time. Will it take 24 months? I don't think so. We live in a society where people want quick answers, whether it's Wall Street or sports or politics. You have to be patient.

Do you think radio needs more-radical changes?

No. It's content. Whoever has the best content will win. But on the technology side there are a lot of investments going on in high-definition radio right now. There are going to be all these side channels in the next three to seven years [because HD gives broadcasters extra bandwidth for additional programming]. That to me would be the only radical change.



YOU'D THINK PHIL HAD JUST RECEIVED
THE HIGHEST SCORE IN CLIENT SATISFACTION
AMONG 11 MAJOR IT CONSULTING FIRMS.



Much like Phil, BearingPoint works hard not only to create, but also implement winning strategies. Our commitment to this philosophy is what sets us apart from the competition. And the market is taking notice. BearingPoint recently received the highest score in client satisfaction among 11 major IT service firms providing consulting and implementation services. Forrester Research, a leading technology research company, published the score in their annual independent survey, "IT Services Provider Scorecard," July 2005. Experience BearingPoint.com.

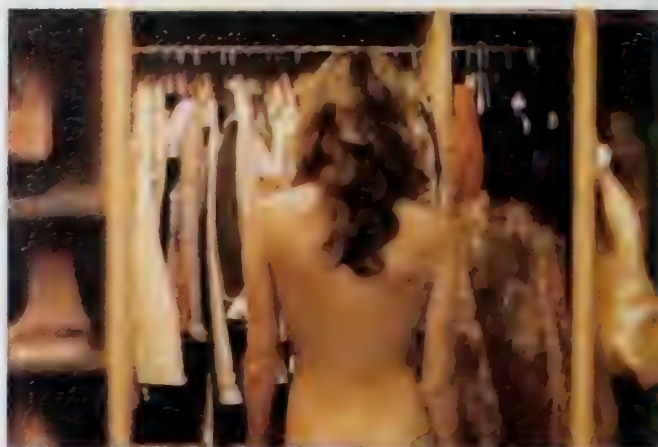
TIME WARP 2000

The Pets.com sock puppet isn't making a comeback—yet—but dot-com companies big and small are spending lots of money on TV advertising.

Time Warner's AOL unit spent \$88 million on network TV in the first half of the year, a 50% increase. Internet travel company Travelocity, in the same period, spent \$5 million, up from \$830,000. Ebay is buying commercial time during ABC's hit *Desperate Housewives*, where a 30-second spot goes for \$600,000. And E-Trade, which shelled out \$129 million for TV ads during the Internet boom in 1999—a year when dot-commers spent a total of \$3 billion—has returned to the big tube to pitch its "Extraordinary" campaign.

Some Weblets are diverting ad money from the Internet to TV. Overstock.com slashed Internet ad spending in the first half of 2005 by 79% to \$2 million, compared with the same period in 2004. At the same time, the online retailer doubled its TV budget to \$7 million, says TNS Media Intelligence.

What's up? Online ad space is tight, thanks to traditional companies—automakers and mortgage lenders among them—that are snapping up spots on popular sites. Some



Bum rap: Bluefly.com's new ad got noticed—and banned.

Yahoo advertisers cool their heels for as long as six months to cinch a spot, says Gary Stein, senior analyst at Jupiter-Research. Another reason: "If you're trying to convey the concept of love, a TV spot can make a more direct emotional appeal than a blinking Web ad," says Michael Robertson, head of Ocean Media, an outfit in Huntington Beach, Calif. that buys ads for Internet companies.

But that doesn't mean anything goes, as online apparel retailer Bluefly.com was reminded in October. Its ads featuring a naked woman were nixed by some cable TV outlets. They do, however, appear on Bluefly's Web site.

—Dirk Smillie

ON THE DOCKET

Legal Congestion

The maker of Zicam nasal products is trying to snuff out its anonymous critics—and they say that's nothing to sneeze at.
By Elizabeth MacDonald

TIMOTHY MULLIGAN, A FORMER assistant U.S. attorney in Los Angeles, runs a one-man stock research newsletter out of his house in Rockville, Md. In August 2003 he went after Matrixx Initiatives, a Phoenix company that makes Zicam products, the over-the-counter cold remedies popular with the homeopathic crowd. Among other things, he disapproved of Matrixx's habit of shipping products faster than they were selling—noting that Matrixx books revenues upon shipment to a customer, notwithstanding that this accounting is legit. Joining in the chorus against Matrixx are assorted online commentators, many anonymous.

Ever since, Matrixx has been waging



legal war against Mulligan and other Zicam critics. Claiming he's part of a short-seller conspiracy to hurt the company, Matrixx subpoenaed Mulligan's subscriber list in connection with a defamation suit it had filed against several anonymous chat room critics in Arizona (but not Mulligan). Matrixx claims statements in Mulligan's report bear "a striking resemblance" to "defamatory" statements made by anonymous authors on Yahoo and Silicon Investor, a tech Web site.

In early November Mulligan, 49, took his fight to quash the subpoenas to an appeals court in Annapolis, Md. He claims in court papers that Matrixx wants to "silence small, under-financed critics" who were publishing "true but unflattering things" about the company. Such groups as the Association of American Publishers, the Electronic Frontier Foundation and the American Civil Liberties Union of Maryland support him. They argue the First Amendment and Maryland media law protect Mulligan against the compelled identification of

*In this ever changing world,
Singapore Airlines, you're a great way to fly.*



A380



SINGAPORE • HONG KONG • SINGAPORE • MANG LUNG • TOKYO • SEOUL • FRANKFURT • AND OVER 55 MAJOR CITIES

www.singaporeair.com

anonymous readers of his report.

Matrixx downplays the free speech significance and says it wants Mulligan's subscriber list merely as part of the discovery process to help track down the anonymous posters.

Mulligan, who is representing himself,

want to be outed in court. "If this goes on for an extended period of time, I could be out of business," says Mulligan, who awaits the appeals ruling.

Matrixx has its own legal troubles. At last count it faces 41 suits from 366 Zicam users alleging that the product

that Matrixx's own patents question the effectiveness of some of Zicam's products. He also says R. Steven Davidson, one of the inventors of the Zicam nasal gel, got his Ph.D. from a diploma mill, American University in Asturias, Spain, which U.S. officials say has been

shut down by Spanish authorities. Davidson, no longer affiliated with the company, didn't return calls.

Matrixx faces 41 suits from 366 Zicam users alleging damage to their sense of smell or taste.

has so far agreed to produce 383 pages of documents. He said that dealing with Matrixx's requested document dump forced him to more than halve the number of newsletters he issues yearly, to 33. And he cut his usual \$10,000 subscription price by up to \$7,500. Panicked subscribers are threatening to cancel subscriptions (he won't say how many) because they don't

permanently damaged or diminished their sense of smell or taste. The Food & Drug Administration says it's reviewing the complaints.

Mulligan, meanwhile, continues to find Zicam something to sneeze at. He says studies dating back to 1937 indicate that sticking zinc up your nose could snuff out olfactory nerves, and

Matrixx says in its filings that the allegations that Zicam causes loss of smell are "unfounded." More likely to blame in such cases, it says, are things like the common cold or age. So far the legal brawl isn't hurting Matrixx's sales, which grew 40% for the first nine months of 2005 to \$46.4 million. Its stock, at \$19, has more than doubled.

LEAKGATE

Paper Chase

Lawyers in Florida are shocked that someone leaked an Internet discussion | By Daniel Fisher

TRIAL LAWYERS IN PALM BEACH, FLA. have a leak scandal almost as good as Valerie Plame's. In early October somebody with access to a members-only Internet discussion group sent Circuit Judge Diana Lewis unflattering remarks that Brian LaBovick, among other attorneys, had made about the judge's jury selection technique in an accident case he'd recently lost.

Hello, Patrick Fitzgerald! The Palm Beach County Trial Lawyers Association, which runs the Web discussion, hired a forensic expert to investigate the breach. The perpetrator, if found, might be hauled before the Florida Bar Association for violating the oath of privacy each lawyer and paralegal signed before joining the group.

"I think this can be analogized to the attorney-client privilege," says LaBovick, because lawyers frequently swap advice about pending cases. "It's improper that somebody should leak information."

Oh, really? Tell that to the tobacco industry, which entered multibillion-

dollar settlement talks after a former paralegal leaked incriminating confidential documents to UC, San Francisco in 1994. Medical malpractice lawyers spare no effort trying to get the details of physician reviews, which in many states are protected from legal discovery under the theory that

such discussions must be frank in order to improve medical care.

One legal ethics expert says LaBovick wouldn't have much of a case against the leaker. "If you're going to go on something and yap, you have to expect a client confidence would be breached," says Carol Langford, coauthor of two books, including *The Moral Compass of the American Lawyer*. Whether a fellow lawyer signed an agreement not to leak doesn't matter, Langford adds. "Morally, he may have an obligation, but morals and ethics are not the same thing."

Something even non-lawyers can understand. **F**



Will I really be ready for retirement?

Is the question a lot of people are asking
themselves, especially when you look at life
expectancies and the chance for a 30-year retirement.

You wonder about issues like making your assets
last and how you'd pay for long-term care.

The good news is, you don't have to
figure it alone. At Prudential, we're focused
on meeting today's retirement challenges

with smart, innovative solutions to help grow
wealth for retirement, and keep it protected.

Talk with a Prudential professional for
the sound advice about what you can do
to get ready for retirement.

CALL 1-800-THE-ROCK, ext. 4249
to find a Prudential professional in your area.

GO ONLINE

Visit www.prudential.com for retirement reports,
interactive learning guides and retirement
planning resources.



Prudential Financial

Growing and Protecting Your Wealth®

Technology

VIDEOGAMES

A 60-INCH PLASMA SCREEN AT the offices of Valve Corp. roars to life with a heavy-metal soundtrack as a new videogame begins, and giant, gnarly aliens creep from the shadows of an ominous alleyway. The game, *Alien Swarm*, is the work of three creators who have piggybacked off of Valve's big hit, *Half-Life 2*, replacing the original game's main characters with a cast of their own creation.

Alien Swarm is a "mod," a modified

never even met—a high school senior in New Jersey and a college student in Vancouver, B.C. Valve bought the game and hired its two kid creators.

Now comes *Alien Swarm*, an unfinished mod being shown to Valve Chief Executive Gabe L. Newell by three programmers who make up the entirety of Black Cat Software. They nervously watch for his reaction, and Newell thrills them by leaning his ample 6-foot-4 frame toward them and asking, "So when are

is one of the most sought-after hitmakers in the \$8.4 billion U.S. videogame industry. Valve, a nine-year-old Seattle company owned by Newell and a few employees, will do at least \$70 million in revenue this year, double last year's sales, with operating profit of \$55 million.

Newell's Web storefront, Steam, has 3 million members logging in every week to play games and get automatic upgrades. And while he started out selling in retail stores, in 2004 he became one of the first game developers to successfully sell direct to consumers online—a move

IT'S A MOD, MOD UNDERWORLD

GABE NEWELL is the envy of giants in the videogame industry. He designs games—then lets fans make them even better.

By Victoria Murphy Barrett

add-on to the Valve title, and the rise of mods—letting your fans and even rivals freely tap into your game to redesign it—is a key reason behind the success of the privately held company. The *Half-Life* series has sold 15 million copies, and its first hot mod—*Counter-Strike*, a rapid-fire shoot-'em-up pitting online teams against each other—has racked up 4.8 million units. Never mind that *Counter-Strike* was designed not by Valve's 50 programmers but by two rookies who had

you guys going pro?"

They decide that once *Alien Swarm* is finished, Valve may sell it for downloading on its Web site, steampowered.com, splitting the sales 50-50 with the three game designers. The Steam site has already begun promoting it.

"No one has created the Yahoo for games. That's our opportunity," says Newell, who plans to start selling music and minimovies on Steam next year. He

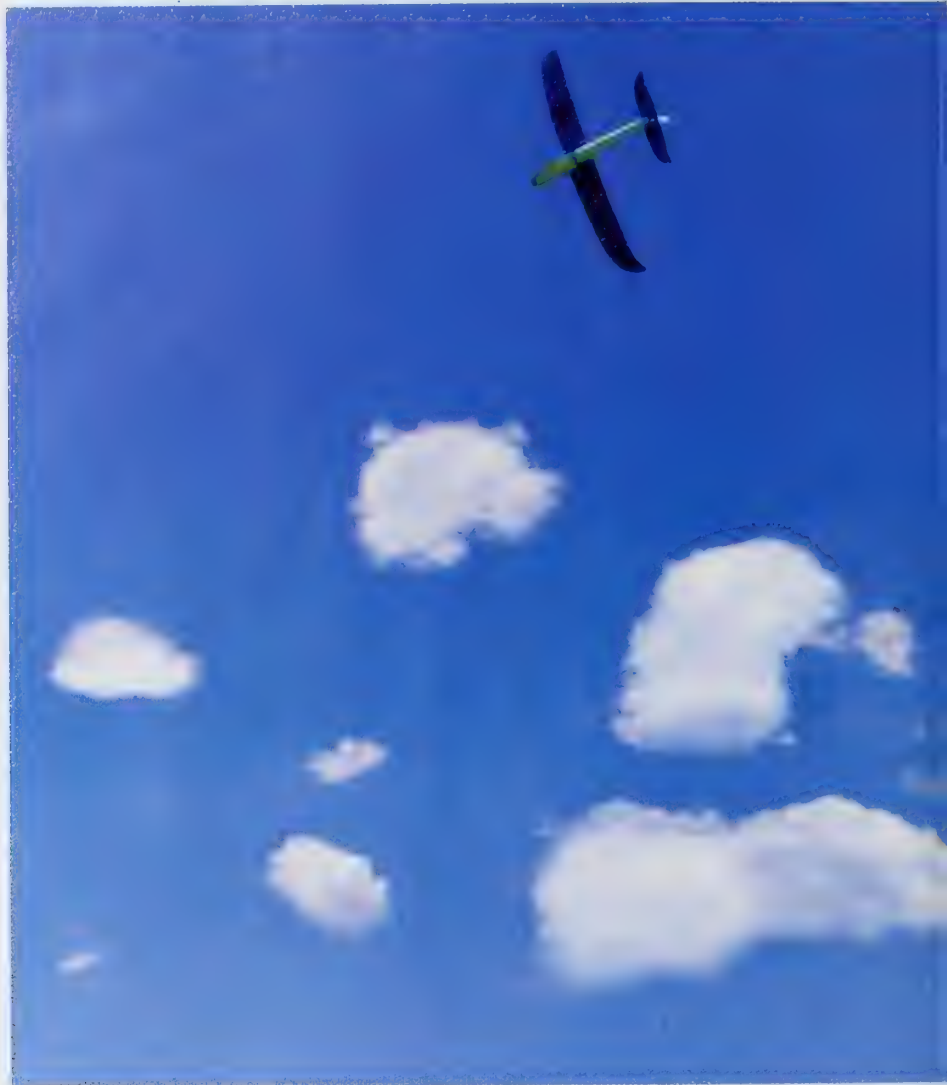
retailers typically despise. Newell makes an operating margin of more than 80% on downloaded games; titles sold at retail get a 36% margin.

Users who visit the Steam site get weekly marketing missives and can choose to let Valve scan their computer online to learn new insights. In the spring, Valve discovered that its users with the most advanced graphics had tripled to 10% of all players. So it released a new



Hitmaker Gabe Newell,
chief of Valve.

REMEMBER WHEN TECHNOLOGY
HAD THE **POWER TO INSPIRE** YOU?





BELIEVE AGAIN.

Once, technology transformed business in a way that made us believe its potential was boundless. But over time, the promise of IT was challenged by sheer complexity. Today there's reason to believe again. Computer Associates (CA) introduces an approach to managing technology called Enterprise IT Management (EITM). With the range of software and expertise to unify systems, processes and people across the enterprise. Simplify the complex. And enable IT to deliver fully and securely against your business goals. With CA software solutions, you can reach a higher order of IT. At your own pace, on your own path, with your existing technology and partners. To learn more about EITM, and how CA's new solutions can help you **unify** and **simplify** your IT environment in a secure way, visit ca.com/unify.



snazzier level of Half-Life aimed just at them. "Valve has a much better feel for who their customer is than the rest of the industry. It's admirable," says Sega of America President Simon Jeffery.

Says Microsoft Xbox executive Gregory Canessa: "Valve is closest to figuring out how to make online sales work."

Valve has done so by relying on the kindness of strangers: its own customers who are "modders." Valve gives away the software tools that let even amateur programmers make mods, because you must buy a copy of Half-Life to be able to create your own mod or play someone else's.

Newell sells 15 mod versions and knows of 500 mods floating around in cyberspace, but there could be thousands. Half-Life pits a geeky scientist (you) against corrupt government agents and lethal aliens at a top-secret government site. The Counter-Strike mod transforms this into a multiplayer game of terrorists

versus counterterrorists. Day of Defeat applies the premise to World War II. Half-Life Rally has cars racing through the original site (and no killing). Vampire Slayer is self-explanatory.

"We let our community of players make up the rules," Newell says. If he likes a mod, he sells it online himself and shares half the sales with the modders. If a modder wants to sell it on his own, he must pay Valve a \$200,000 licensing fee, plus royalties, in exchange for using Half-Life's development engine.

Newell, 43, learned from his first employer, Bill Gates, that success in software comes from getting outside developers to write programs that sell more copies of your own. Newell was the 271st employee at Microsoft and, like Gates, is a Harvard dropout. (Steve Ballmer, then Microsoft's head of sales, talked him into leaving college.) Newell spent 13 years in Redmond as the lead developer of the

first three versions of Windows.

He was brilliant and wildly productive. "He was doing 30 products a year," says former colleague Alex St. John, now chief executive of WildTangent, a Web shop selling smaller games.

Newell quit Microsoft in 1996 and cashed in his stock options to launch Valve that year. He has put a daunting \$15 million-plus of his own money into the company, buying out a cofounder and eschewing venture capital backing. He was inspired by the story of Id Software, producers of Doom and Quake, two massive PC hits that let amateur designers modify the games' code to change details and scenery. One popular mod inserted Homer Simpson as the main shooter.

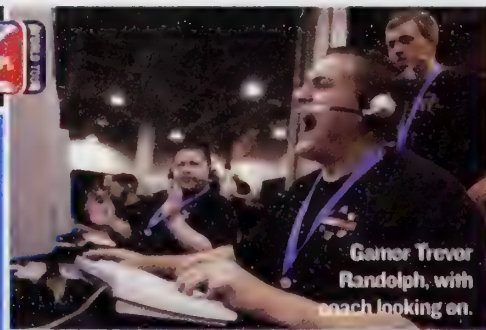
So Newell licensed some Quake code from Id to create Half-Life, which debuted in 1998 and sold 2.5 million copies at retail in its first year. And there sales would have stalled, but modding extends a game's life and sparks further sales. Newell hired the two young Australian programmers who had created the most popular Quake mod, Team Fortress, and bought the rights to their game. They added more powerful graphics tools for Half-Life modders.

A year later the community produced its first hit: Counter-Strike. Newell bought it for a pittance in 2000 and hired its two creators (the high school kid in New Jersey and the college kid in Vancouver). Half-Life itself didn't reach its sales peak until its third year; most games peak after a few months.

Flush with success, Newell embarked on a five-year, \$40 million effort to make Half-Life 2 (similar setting, better tools). Introduced in 2004, it has sold 4 million copies and inspired 100 new mods. Alien Swarm may be the first mod Valve itself will sell for Half-Life 2. Mods now provide 20% of Valve's total revenue and someday could account for up to 50% of sales.

It is the upside, Newell says, of letting customers take total control, and the practice shouldn't be limited to videogames: "George Lucas should have distributed the 'source code' to Star Wars. Millions of fans would create their own movies and stories. Most of them would be terrible, but a few would be genius." ■

Going Pro



Gamer Trevor Randolph, with coach looking on.

Thirty-nine hundred fans convened at a resort 20 miles west of Dallas in July to watch 1,300 athletes compete. There were full-time coaches, sponsors including Intel and Nvidia, and a tournament purse north of \$210,000. Poker? Bowling? Cricket?

It's Counter-Strike, the videogame. For five days players shared 320 PCs, soaking up enough electricity to power 50 homes for three months. A team from Sweden won.

"We present this as a professional sport," says the event's organizer, Angel Munoz. Eight years ago Munoz, 45, left his job at a small investment banking firm to launch the Cyberathlete Professional League, or CPL. Id Software's Quake was then one of the only multiplayer games around. CPL now hosts a dozen events a year where individual players or teams face off. Counter-Strike is one of the most popular CPL tournament games. Its world finals are expected to draw 32 of the top players and 500 fans to New York City in November.

The top teams make enough to hire coach/managers. Craig Levine manages Team 3D using what he learned as a business major at New York University. He recruits players and takes care of the books. Team 3D has racked up \$200,000 in winnings in the past two years. Levine has cobbled together sponsorship deals with Intel and Nvidia. "I pay the team members enough to cover rent, car payments, their cell phone bills. They do just fine," says Levine. His players practice four hours a day, five days a week. They figure out new strategies by watching other teams playing online. CPL's Munoz signed up MTV to broadcast his Winter Championships this November. His goal is to get on ESPN.

—V.M.B.



*As Patti observed the new Canon Color-enabled imageRUNNER,
her new mantra became, "black-and-white and occasional
color printing is now affordable."*

ti's company isn't doing business as usual. What about your company? Yes, thanks to the Canon Color-enabled
geRUNNER® C3170 Series, you can actually add a few pages of color to your usual black-and-white printing when
need it more affordably than before. The result is eye-catching documents and more effective presentations.
s state-of-the-art imageRUNNER also works with our latest robust software offerings, including Express Copy,
or Universal Send™ and eCopy ShareScan OP,™ allowing users to scan and share documents with any destination.
of this while giving you the dependability you expect from the Canon imageRUNNER line with the latest technology
ilable. It's yet another example of expanding the potential of your workday.
no longer doing business as usual. 1-800-OK-CANON www.imagerunner.com

Canon
*image*ANYWARE



aliens, drive like a maniac and compete for gamer glory with online buddies but also to serve as the living-room gateway for your digital life.

The 360 is the first exemplar of the newest generation of home gaming consoles. Thanks to the Law of Moore, it's significantly more powerful than Sony's five-year-old PlayStation 2 and the original Xbox. This thing runs hot—as you can tell by an outboard power brick the size of a real one. More and zippier memory and processors make for a unit that by one metric—the ability to render the polygons that comprise the images on the screen—is at least four times as fast as its predecessor.

That gives you richer, more detailed graphics that can be pretty darned impressive. Microsoft's Project Gotham Racing 3 game drops your hot rod onto streets in London, Las Vegas and New York that look closer to real than ever. Activision's Call of Duty 2, in which I played a Russian fighting the Germans in World War II, has a quasi-cinematic feel.

Games focused on humans, like sports titles, fare better than ever, but the players still have an unsettling robotic quality. EA Sports' NBA Live 06 has an astounding practice mode that uses low-key lighting and other tricks to make your player seem more lifelike, but once on the court the players remain obviously synthetic—as they do in Madden NFL 06. That's largely because the Xbox 360 can only deliver one-fifth of the 2.4 billion polygons per second that Pixar cofounder Alvy Ray Smith dubbed “the reality threshold.”

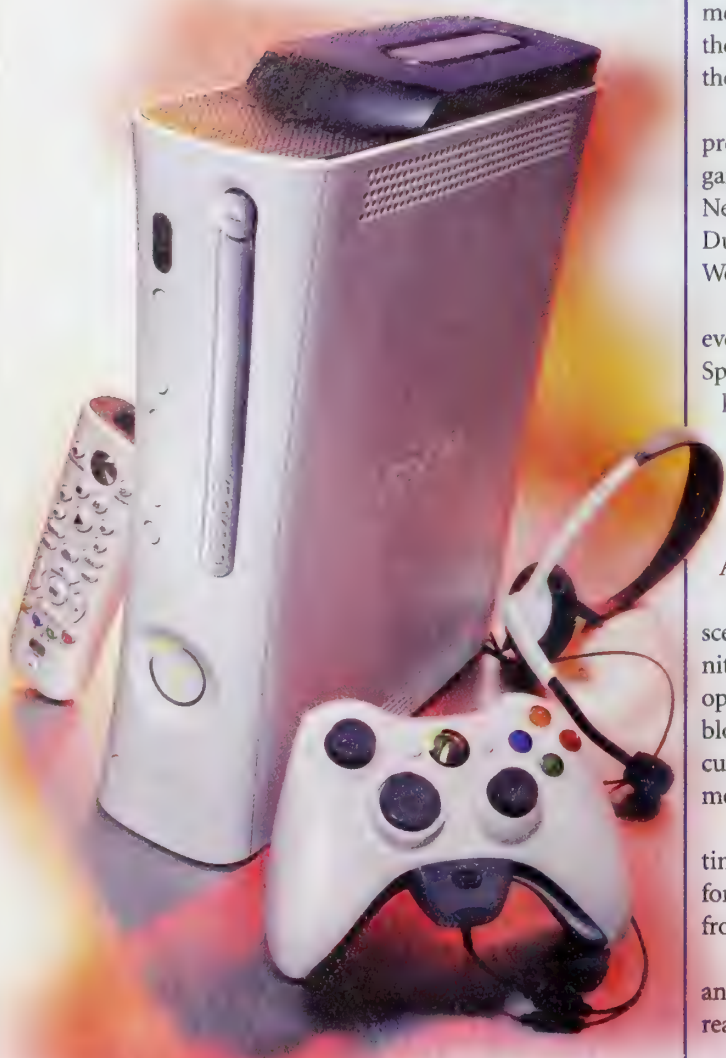
Nonhumans fare better. I was able to try only two sample scenes of Peter Jackson's King Kong from Ubisoft, but it's definitely heart-pounding when your realistically hairy ape holds open the jaws of a tyrannosaurus until your paws give out and blood fills the screen. Microsoft's Kameo begins as an overly cute elves-versus-trolls story but quickly morphs into a richer, more believably rendered world.

But one thing that's not subjectively improved here is load time. Games still tend to have lots of moments when you're forced to twiddle your thumb stick while the system grabs code from the DVD.

You can buy a “Core System” for \$300, but that's pure bait and switch, since it needs a \$40 memory card to do anything real. The \$400 bundle is a far better deal, since it gives you mem-

Bill Gates and company hope you'll think of the Xbox 360 not just for games, but also as the living-room gateway for your digital life.

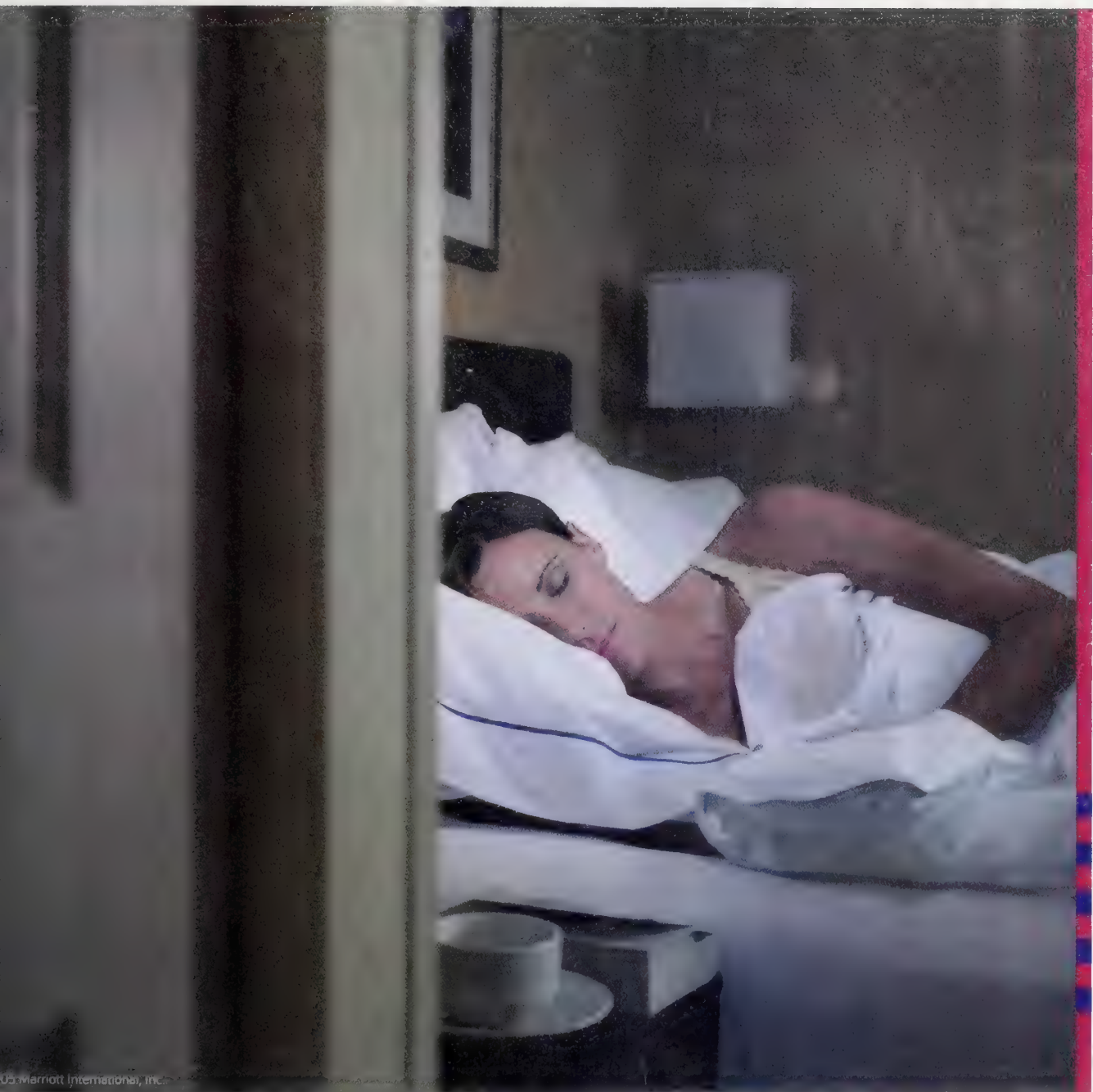
ory in the form of a 20-gigabyte hard drive that otherwise goes for \$100—plus a \$50 wireless controller, a \$30 remote control, a \$20 headset and a \$40 high-definition component cable. At \$100 extra the optional USB Wi-Fi add-on is a bit of a rip-off—about twice the price of comparable third-party versions. Another reason to buy a unit with a hard drive: You'll soon be able to download an upgrade that will make the



Generation X

IT HAS A FAST PROCESSOR, AN ETHERNET JACK AND THREE USB ports. It can display photos and stream music over your home network from any Windows XP PC you've got. It can deliver photos and songs from cameras or portable music players or thumb drives you plug in directly. It can play DVDs and CDs and rip tunes to its own 20-gigabyte hard drive.

Surprise: It's not a PC. It's Microsoft's Xbox 360, a new game console that connects to your TV. Bill Gates and company are clearly hoping that you'll want the thing not just to shoot down



© 2005 Marriott International, Inc.

SPRINGHILL SUITES PRESENTS THE GO-TO BED.

We've made the mattresses thicker, the pillows and sheets softer, and getting out of bed in the morning nearly impossible. You'll find the new beds at SpringHill Suites® altogether irresistible. They have to be to compete with all the incredible style and comfort designed into every one of our spacious suites.

SpringHill Suites. Spacious by design.SM

IT'S THE MARRIOTT WAY.SM



For reservations, call 1-800-MARRIOTT or visit Marriott.com/SpringHillSuites.

Bedding availability varies by location.

unit compatible with about one-third of the games for the original Xbox. Which may remind you that game prices have gone up: 360 titles typically cost \$10 more than the \$50 exacted for previous-generation titles.

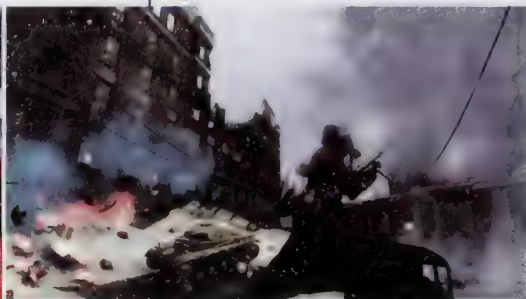
The Xbox Live service that connects players with one another across cyberspace may be Microsoft's secret weapon in the latest console war. The new units keep track of users' personal profiles and gaming points redeemable for nothing more than bragging rights. At the end of one Project Gotham race I

dows XP PC, you run a program called Windows Media Connect on it. That software, like the Xbox's user interface for displaying photos, is exceptionally clunky, but it works. Purchased copy-protected Windows Media files played fine, and so did subscription music from Napster.

With a PC running Windows XP Media Center 2005 (but not earlier) Edition, the 360 can also serve as a Windows Media Center Extender, adding streaming video to its talents. It should eventually be able to handle high-definition content captured in Windows

Media format by the Media Center's digital video recorder—provided your home network can keep up. I wasn't able to try it, but my experience with Windows Media Center stuff in general (FORBES, Dec. 13, 2004) has never been positive.

Ideally you want to play 360 games on a wide-screen, high-def TV. They'll play on old-fashioned sets, but they'll appear annoyingly letterboxed, with black bars at the top and bottom. High-def set owners will also appreciate that the



More and zippier memory and processors make this unit four times as fast as its predecessor. Result: richer, more detailed graphics.

learned that as a tyro I was currently 464th out of 465 players. After wondering who the other guy was, I began to consider playing more to augment my points and minimize my shame.

The network puts you in touch with fellow gamers you can compete with, send messages to or trade insults with over the headphones. Using multiplayer game functions costs \$70 a year, but a free basic membership comes with the box. Parents may want to study the somewhat confusing settings that allow control over which online contacts their offspring can make. I'm guessing smart kids won't have much trouble dopping out how to answer the personal question that lets you reset the password.

The network forces you to use a Microsoft Passport account to go online and gives the company lots of chances to sell you stuff. The coin of the realm is Microsoft Points, available online with a credit card or on cards from retail stores at the fixed rate of 1.25 cents per point—no quantity discounts. Simple games like billiards and hearts and revamped versions of arcade "classics" cost between \$5 and \$15. Other gewgaws for sale include extra cars for racing games and special gamer pictures to serve as your personal icon. But there's also free stuff, including material related to specific games you've bought and trailers for games you haven't.

The 360 isn't bad in the role of living-room digital entertainment center. You can run the DVD player or scroll through other content via the controller or the remote. To stream tunes and photos from your Win-

360's DVD player, like most these days, has progressive-scan output for a smoother picture.

Nice enough package, but it's hard to see why anybody outside the hard-core gaming world would spring for it right now. Although the new games look good, only a handful are exclusive to this machine, and people who play the others on existing platforms may not know or care what they're missing—unless they want to play head-to-head online or partake in an online gaming community. Developers generally take a year or so to fully exploit a new platform's advances, so games that really show off the 360 may not show up until next year's holidays.

And lurking in the wings for an expected spring release is Sony's PlayStation 3, which adds features like the new high capacity, high-def-ready Blu-Ray disk drive and a future-proof 1080p output—both items that, unlike DVD drives, are all but nonexistent in homes today. The PS3 should be fully compatible with existing PlayStation titles and be significantly faster than the 360. But game designers suggest that developing games for it can be much trickier than for the Microsoft platform.

As I tested a unit just before the Nov. 22 release date, Microsoft seemed to be adding finishing touches in a beat-Sony-to-market fury that might make for early problems. That X factor and the imminent Sony unit say one thing: Hold your fire.

Forbes

Stephen Manes (steve@cranky.com) is cohost of *PC World's Digital Duo*, which appears weekly on public television. Visit his home page at www.forbes.com/manes.

E A MASTER OF THE UNIVERSE STARTING WITH THIS PLANET.



When you're looking to gain control over your business and personal lives, NetJets® should be right at the top of your list. Why? A NetJets fractional share puts your schedule in your hands by giving you the freedom to travel whenever and wherever you like with as little as four hours' notice. We can make that promise because ours is the world's largest, most diverse fleet – over 500 business jets across 14 different aircraft types. And since our fleet is truly global, you can rest assured knowing the service, pilots and safety protocols meet our exacting standards anywhere in the world you fly. Giving our Owners the control they need to master their world, is just one reason more people choose NetJets.

1-877-356-0754 | www.netjets.com/fb9

NETJETS®
Leave nothing to chance™



Feel free to take risks.

Whatever business you're in, growth is always a key objective. When a business opportunity comes knocking, your intuition tells you to reach for it, while your head tells you to leave nothing to chance. What you need is a balance that lets you take a calculated risk – with a safety net in case things don't turn out as planned. That's where Atradius comes in. We'll help you to

profit from those business opportunities through protection of our tailored credit insurance – cover your sales against the many risks of non-payment. And you can be sure that the cover you receive fits your needs like a glove – no more and no less. So whatever the size and nature of your business, with our credit insurance you can feel free to take risks. Call us: 1-800-822-3

THE PROTEAN COMPANY

Itinerant Work

omarco has spent half a century limping from one technology business to the next. What exactly keeps it going? | By Scott Woolley

"We are expecting great success". Can Thomas Franza deliver for investors?



SOME SMALL COMPANIES, LIKE ancient species of insects, make small adaptations and survive. In that category is Comarco of Irvine, Calif., which has been around 45 years and has had many distinct incarnations. Over time the company has managed airports, built a shopping center, tested weapons for the navy, sold software, processed microfilm and made emergency call boxes. None of its businesses ever proved a big hit or a devastating failure. In the last 12 months Comarco lost \$5.8 million on revenue of \$33 million—a tad more than its sales two decades ago.

All that's about to change, vows Thomas A. Franza, chief executive. Now, he says, Comarco aims to capture a big chunk of the tens of billions that cell phone companies are spending to build networks to transmit Web pages and TV

signed up: "It didn't look so hard," he says.

Ha. Franza worked over a few ideas and narrowed his choices down to a computerized fingerprint identification system and wireless call boxes, the emergency telephones found along highways. Franza says he wasn't that enthusiastic about either, but Buell told him to go ahead with the call boxes. Within two years Comarco was selling \$6 million worth of them, mainly in California. Then, with cell phones becoming commonplace, many highway managers decided they didn't need the roadside devices. And so in fiscal 1990, when Comarco earned \$1.4 million on \$81 million in sales, mostly from military contracts, Franza was charged with looking into new businesses again.

Because part of that military work was stress-testing military radios, Franza hit on the idea of extending the service for the

glasses wanders the country testing the phone service—is that the company load up cars with Comarco equipment and drives them around the country checking for problems and monitoring call quality.

Franza's move into cell phones began what was to be the brightest period in the long, unhappy run of Comarco's stock. Shares climbed from \$5 in the mid-1990s to just over a split-adjusted \$33 in early 2000. After the tech crash cell phone companies, short of cash, slashed their spending on equipment. Comarco lost \$10 million on sales of \$36 million in fiscal 2003. Its shares hit a low of \$4.60 that year. (Recently they traded at \$8.71.) The company hasn't declared a dividend as long as Franza has been around.

This exasperates investors like Andrew Sole, fund manager for Esopus Creek Partners in New York City, which controls 6.6%

Return money to the shareholders and sully the balance sheet with debt? "That idea is ludicrous."

shows. Phone companies must hire someone to ensure those networks really work, and that's where Comarco comes in. Its newest product can analyze a videoclip delivered to a cell phone, double-checking that the audio is synched to the video and the image isn't smearing. Forget the past, says Franza. "We are expecting great success."

Comarco started life in 1960 as a wholly owned unit of an unremarkable construction company. By the time it was spun off to the public a decade later, it was primarily a government contractor, hiring out engineers to the Naval Weapons Center in China Lake, Calif. The company's other big project: building a 140-unit apartment complex in San Jose.

"Try anything" became the company's mantra. In 1985 Franza, who was then building cockpit avionics for a military contractor, bumped into Glenn Buell, Comarco's chief executive then, at the launch party for the U.S. Army's Apache helicopter. Buell made Franza an offer: How would he like to join the company and launch a new product? "What's the product?" Franza recalls asking. Buell's answer was classic Comarco: You tell me. Franza

rapidly growing cell phone business. Comarco could use its wireless boxes to see how many calls a cell phone network could take before it overloaded. After pitching the idea to McCaw Cellular, Franza eagerly waited for feedback. He still remembers it: "That's the stupidest idea I've ever heard," the chief McCaw engineer told him. Turned out that cell phone companies already knew they didn't have enough capacity. Why would they pay someone to prove it? But Franza, always on the prowl for something new, picked up another idea at that awkward meeting. Cell phone companies needed much more data on their networks, which were pockmarked with dead spots and frequently dropped or garbled calls even in areas that did get reception. After collecting some test data to show how abysmally a few cell phone networks performed, Franza headed back to carriers like Cellular One with a new sales pitch.

That one, finally, stuck. Assuring the quality of a cell phone network is still the centerpiece of many carriers' ad campaigns. The reality behind Verizon Wireless' hit "Can you hear me now?" campaign—the nerdy guy in horn-rimmed

of Comarco. Recently he phoned Franza in an unsuccessful attempt to bully him into spending \$5 million of the company's \$9 million stockpile to buy back shares—and to borrow an additional \$5 million to increase the repurchase to \$10 million. "I told Tom this was a very underleveraged company," says Sole, and that by hoarding that cash he was hurting shareholders.

But Franza wasn't having any. He's willing to dip into the stash, but only to invest in existing businesses (including call boxes and specialized power adapters for laptops, cell phones and other portable electronics) or new ventures. Chief among them: testing those 3-G cellular networks to make sure they can handle all that video and high-speed data as advertised. The company just picked up an initial order for \$7.5 million from Verizon Wireless; it also owns 18% of a European joint venture that has sold \$40 million in 3-G test equipment. But sully that debt-free balance sheet just to return money to the shareholders? "That idea is ludicrous," Franza scoffs. That play-it-safe strategy has kept Comarco afloat for almost half a century. Keep guys like Sole at bay and it can probably carry on another 50 years.



intel.

with Intel® built in, Bumrungrad has
expansion built in

STORAGE ROOM TRANSFORMED INTO PEDIATRIC CLINIC. Bumrungrad Hospital, Southeast Asia's largest healthcare facility, created a kid-friendly pediatric clinic out of a 10,000-square-foot medical records unit. How? An ultra-scalable, 4-way Intel® Xeon® processor-based system improved data reliability and made records paperless. Read more about Bumrungrad Hospital's experience with Intel built in at intel.com/builtin.



Nightcrawler

Andrew Fox had a good idea for an online nightclub business, then walked away.

Time to grow up | By Helen Coster

AT HIS LOWEST POINT Andrew Fox was back in New York City and broke. He'd just walked away from a business failure in Florida, running through "several hundred thousand dollars" in a blighted attempt to build cell phone towers. Then he found himself locked out of the online nightclub enterprise he'd founded in 1995 and abandoned five years later.

In entrepreneurship, at least, there are third chances. Today Fox, 32, presides over a thriving little company that grew out of the online business he ditched. Track Entertainment—providing content, advertising and ticket sales for nightclub events, as well as marketing and production for larger rock and pop concerts—netted "low six figures" on revenue of \$16.7 million in 2004. This year Fox hopes to pull in \$22 million.

Getting there hasn't been pretty. A decade ago Fox was an auditor at News Corp. by day and a frustrated club gate-crasher by night. In hopes of getting past bouncers, he started a Web site called ClubNYC.com, listing the names, addresses and phone numbers of Manhattan's hottest spots. Ads, he figured, would follow. They didn't for a couple of years, by which time Fox had maxed out his credit cards. Finally, though, he pulled in enough ad revenue (around \$4,000) to subsidize his bar tabs and convince Seth Zalkin, his best friend and a lawyer, to become chief executive. The renamed ClubPlanet.com, says Fox, soon attracted the notice of two now-defunct venture capital firms, Alpine Capital and Carlin Ventures, which offered a remarkable \$896,000 for 10% of virtually nothing. Fox hired a 20-person staff.

He and Zalkin got on famously—like a couple of scorpions in a bottle. "We were at each other's throats," Fox says, adding that they disagreed over money and whether to sell the company. Zalkin says he didn't like Fox's business behavior. In any event,

Fox walked away. He had no better luck in Florida, meeting constant opposition from municipalities to his phone tower projects—with the result that he never built anything or earned a penny. Within months of winding down operations, he got a call from Zalkin, who was closing down the office and laying off staff.

The company still had \$60,000 or so in the bank, but Fox wasn't authorized to touch the account. He set to work in a tiny fifth-floor walk-up apartment, struggling to sell ads. (Zalkin claims he was also working for the company in a separate office.) Finally, in late 2001 Fox nabbed \$50,000 from a site he owned

that peddled tickets to New Year's Eve parties around the world. Fox hired a lawyer, who advised him he could add to ClubPlanet's board of directors and thereby take control of the company and oust Zalkin. (Zalkin insists he was simply bought out.)

Tougher was staying afloat in a world of tight financing and giant online rivals like Ticketmaster and ClearChannel. Looking for an edge, Fox approached Lee Heiman, chief of Track Entertainment, a 20-year-old outfit that produces concerts and corporate promotional events. Heiman, now 53, was seeking new channels to younger customers. So in 2002 the companies merged in a stock swap; the two chiefs split voting rights and any profits right down the middle.

It's worked so far. Track Web sites syndicate content (celebrity interviews, music

reviews and the like) and sell concert tickets at \$24 to \$125, pocketing 10% to 13% of the proceeds in service charges. The company also shoots out millions of promotional e-mails, at the rate of \$50 per 1,000 names, on behalf of clubs and corporations and produces live events, like a recent Gwen Stefani concert in Las Vegas (a PepsiCo-sponsored extravaganza) and Rolling Rock's Town Fair, an annual music festival in western Pennsylvania. Putting together the lighting, stage, sound and security crews, Track can pull in several hundred thousand dollars in revenue per event.

But key to growth are deals like the one Track recently cut with American Express and its much-hyped In:NYC card, which offers discounts and benefits to 25- to 35-year-olds. Under a two-year contract, for undisclosed fees, Track finds nightclubs willing to let new cardholders bring guests, jump the line and pay a reduced entrance fee or get in for free. Nice work for Fox, who was once trapped on the other side of the velvet rope.





The Xerox Phaser® 8500 network color printer
delivers heavyweight specs at a featherweight price.
Which means it can take on anybody.
Xerox Color. It makes business sense.

For spec, the Xerox Phaser 8500 is one tough
network color printer with amazing moves.
Just \$899. Like up to 24 color pages a minute
and an industry-leading first-page-out time that
delivers stunning 600 dpi color in just 6 seconds.
Plus Driver Color Controls to match output color
to the color on your computer screen. And talk about



endurance! With one of the largest standard paper
capacities in its class, it just keeps going. The Phaser
8500 is easy to install and maintain. Solid ink
technology even makes it environmentally green.
Naturally, it comes from a line of winning color
printers and multifunction systems. To learn more,
contact us. Our little champ will knock you out.

XEROX®

HOW DO YOU KEEP YOUR LEADERS MOTIVATED
FROM BEING DISTANT?

IBM



THE OTHER IBM

IBM BUSINESS CONSULTING

Innovation

Get Smart

a half-century of hostile borders and urban
rilla warfare, Israel has emerged as the go-to
try for antiterrorism technologies.
's the latest crop | **By Susan Karlin**

AME IS BOND. YITZHAK BOND.

Israel, by necessity, has become the hotbed for counterterrorism research. Innovating well out of proportion to its size, Israel has spawned companies selling guns that shoot around corners, software that translates dog barks into English-lan- warnings and lasers that can detect explosives from et away. Working their way through labs now are gent robotic cameras, and nanolasers and nuclear ance imagers to detect chemical and bioweapons. uch of the homeland security technology in the 20 years old. It is unsuitable because the nature of reat has changed," says Dan Inbar, the Israeli er of the Homeland Security Research Corp., a ngton, D.C. consultancy. heli exports of homeland security equipment will 00 million this year, up 22% per year since 2002, tes Inbar. The global trade in antiterror nd consulting services is expected to from \$46 billion to \$178 billion by (The U.S. accounts for half.)

ATIONS BY SLIM FILMS FOR FORBES

URN THE PAGE FOR OUR SPECIAL INNOVATION GATEFOLD. ➡



Innovation

HOW DO WE KEEP COMMODITIZATION
A COMPETITOR'S PROBLEM?

HOW DO WE CREATE PROCESSES
AS INNOVATIVE AS OUR PRODUCTS?

HOW DO WE TURN IMAGINATION
INTO A COMPETITIVE ADVANTAGE?

RS (Price: still in testing)
Systems Ltd. can detect
150 feet away by picking
materials, even traces left on
Prototypes due this year
, developed at Israel's
the device the size of a p
oxide fibers, which are
a mixture of three chemi
ch) improvised explosives.

DOG T
(Price: \$
Worn on
the Dog T
looking f
Bio-Sens
capturing
arts, and
signal pr
type of b
device ca
dog's "th
\$100. A
thousand
start of v



PASSPORT
SCANNER

er

any

end
vice
uce
la is

FORGERY FINDER
The Smart Document I
technologies claims a f
erged passports and B
documents are circuits
between and infrared
shadows. These fig
gains official versions
are things like explor
airports in Europe,
successfully tested at



THE OTHER IBM

IBM BUSINESS CONSULTING



THE
V
N

Her
the
smi
tha
bra
By

A
lar fix
an ho
ning
gown
ceptio
her \$
H
end v
still a
mon
site, v
wed
bride
betw
comp
beco
the K
paren
T
Exec
from
board
(200
natio
help
hitch

BETROTHAL BIZ

Wedding March

As come the brides—and grooms. Marketers are often with a nuptials site that looks like a big media brand in the making.

Allison Fass

AS SOON AS RACHEL BOLAND OF WEST Palm Beach, Fla. got engaged to Deane Shughart, she became a regular on theknot.com. Boland spent her every day on the wedding-planning site, where she found a wedding venue—one of 20,000 pictured there—reception hall, garter and videographer for \$30,000 July 4 wedding.

Her association with the Knot didn't end when she got hitched. Boland, 27, is among the 2 million people every day who visit the company's flagship site where she posts pictures and offers wedding advice through online chats with brides-to-be—so-called Knotties. She flits between it and thenest.com, the New York City company's site for newlyweds. When she becomes pregnant, Boland will migrate to the Knot's upcoming page for first-time moms.

The Knot, cofounded in 1996 by Chief Executive David Liu, has come a long way from its modest roots as an AOL message board. This company, though still small (revenue: \$41 million), is now the nation's largest Internet wedding planner, serving more than a million couples getting married this year. It boasts the biggest



Love is in the air: The Knot's David Liu delivers brides to marketers that aim to woo them.

online community of brides-to-be, who go to its main site to network and get information about 14,000 vendors of wedding goods and services. They include Alexia's Bridal Boutique in Raleigh, N.C. and Tappan Hill mansion, a reception hall—and Mark Twain's former home—in Tarrytown, N.Y.

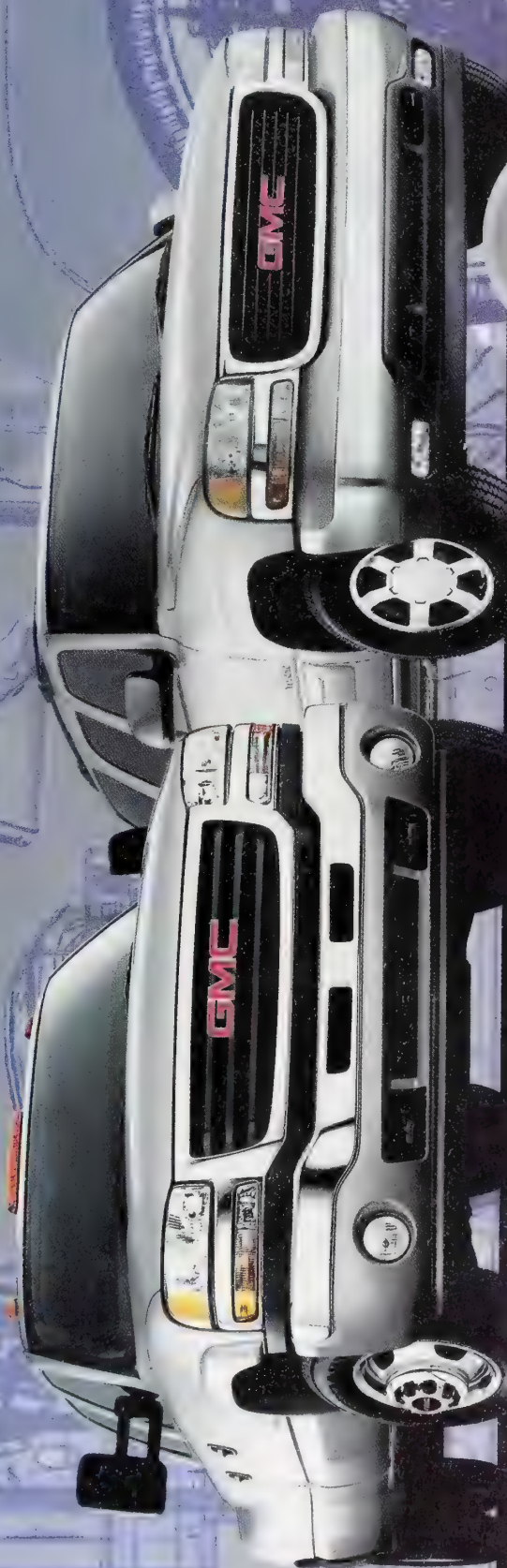
But this is only the beginning, says Liu, who is as starry-eyed as his brides. He is trying to create an integrated "life stage" media company that delivers everything from teen girls and young women, ages 15 to 35, need to attract and marry mates, set up households and have children. Although best known for its Web site, the Knot also publishes a magazine, as well as advice books. There is a TV show on the Oxygen

network and video-on-demand programming offered through Comcast. Liu is expanding his Web presence and customer base through a dating site (greatboyfriends.com, which he bought for \$600,000 this year) and promspot.com, a party-planning site for teens.

Marketers like the Knot's reach are a database of 6 million-plus gals. Kellan, promotes its Special K cereal in a weight-loss challenge on the page. Zale Corp. is buying banner ads, e-mail appeals and three streaming videoclips about jewelry shopping. Target is paying the Knot to direct its members, who have an average household income of \$70,000, to its online wedding registry.

How convenient that the Knot's

J.D. Power and Associates 2005 Initial Quality Study.SM Study based on 62,251 consumer responses indicating fewer reported problems during the first 90 days of ownership. www.jdpower.com. The GMC Yukon/Yukon XL is the highest ranked full-size sport utility vehicle in the J.D. Power and Associates 2005 Vehicle Dependability Study.SM of 2002 model year vehicles. Study based on a total of 50,635 consumer responses indicating owner reported problems during the previous 12 months of ownership. www.jdpower.com. ©2005 General Motors Corp. All rights reserved. Sierra, Yukon, GMC and GMC logo are registered trademarks of General Motors Corporation.



EXCELLENCE DOESN'T JUST HAPPEN.

IT'S ENGINEERED.

THE 2005 GMC SIERRA HEAVY-DUTY WAS JUST NAMED "HIGHEST RANKED HEAVY-DUTY FULL-SIZE PICKUP IN INITIAL QUALITY" AND THE 2005 GMC YUKON WAS AWARDED "MOST DEPENDABLE FULL-SIZE SPORT UTILITY VEHICLE" IN A J.D. POWER AND ASSOCIATES STUDY. NO MATTER HOW YOU USE OUR TRUCKS AND SUVS, WE ENGINEER THEM ALL TO THE HIGHEST STANDARD. WE ARE PROFESSIONAL GRADE.[®] VISIT GMC.COM



Marketing

cheerfully offer up a lot of personal information. It knows which dress designs and honeymoon spots, for instance, are most popular in which zip codes. It also keeps track of the brides' wedding dates so vendors can be notified when the women are getting ready to make certain purchases. Kleinfeld Bridal, the New York gown purveyor, lets Knotties in its market know about sample sales by sending out e-mails 9 to 12 months before their nuptials.

"When we show marketers how we can carve the data up—'This consumer is shopping and is probably going to make a purchase in the next two or three months'—there's an audible gasp in the room," says Liu.

American Express is intrigued by the Knotties' average age of 27. It is offering Knot and Nest customers no-fee credit cards, paying the Knot an undisclosed sum per card issued. Says John Hayes, chief marketing officer of American Express: "It's not just about placing an ad; it's about reaching people when spending is important

and they are forming brand preferences."

Deals like these helped the Knot more than double net income to \$2.5 million on revenue that rose 23% to \$38.6 million in the first nine months of the year. The stock has jumped 62% to a recent \$11 since it was relisted last March.

Challenges remain. Despite new deals with marketers, Liu says he has a hard time convincing companies to look beyond bridal magazines. "We're fighting tooth and nail to get people to understand that is an incredibly inefficient vehicle," says Liu.

Liu is also fighting competition. WeddingChannel.com, which handles Bloomingdale's online registry, is suing the Knot for purportedly infringing on a patent.

Liu says his firm could attract a

Tying The Knot

\$26,300 Average cost of a U.S. wedding.

70 Percentage of couples who help pay for own weddings.

65 Percentage of couples who have a baby within the first three years of marriage.

14 The number of hours, on average, brides-to-be spend on theknot.com the week after they get engaged.

Sources: Fairchild Bridal Group; theknot.com.

corporat
mate, perhaps even
a deep-pocketed buyer. But he also suggests it is viable enough to become a powerhouse on its own, much as the newspaper *Farmer's Tribune*, an 1896 wedding gift to Edwin Thomas Meredith, grew into magazine publisher Meredith Corp.

The Kiwi Bird presents the KIWI Express Shine Sponge,
a ridiculously fast, no buff, no hassle shine.



Look Sharp
kiwiandfilms.com

OMEGA

www.omegawatches.com



WE ARE NOW TRAINING
FOR OUR 22nd PARTICIPATION.
THE OLYMPIC GAMES OF TORINO 2006.



MY CHOICE.

OMEGA
N. RODEO DRIVE
OPENING HOLIDAY 2005

Ω
OMEGA
OFFICIAL TIMEKEEPER



Treasures in the Trash

What genetic researchers used to call junk DNA may conceal the most important medical secrets of all.

By Matthew Herper
and Robert Langreth



Harvard's John Quackenbush has long argued that junk DNA matters.

WHEN RESEARCHERS BEGAN mapping the genome, aiming to decode the entire human gene sequence, they expected to eventually

locate 100,000 or more active genes. After completing the genome map in 2001, they were startled to find that humans have only 25,000 active genes. The lowly roundworm has almost as many (19,000).

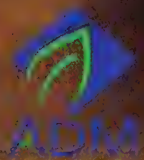
That means the active genes contain a mere 1.5% of the 3 billion units of DNA that make up our genetic structure. The rest is "dark" or "junk" DNA, long presumed to be present for no particular reason.

Coltite, Indiana, an hour shy of sun-up and a farmer is getting to work.

From Fayetteville to Fresno, if it's way before early,
farmers are getting to work.

And all across the country, their hard work helps America work,
creating millions of jobs.

The American farmer is essential to the economy.
That's why we work to be essential to him - creating thousands of products
from farm crops, hundreds of markets for farm crops.



But researchers are now finding this junk DNA, overlooked for decades by geneticists, may actually not be junk at all. They are finding hints of an enormous and previously unimagined command-and-control apparatus that regulates what our 25,000 genes do and how the body is assembled. Junk DNA, when it goes wrong, may be a culprit in major killers ranging from cancer to diabetes to infectious disease.

That insight could unearth hundreds of new targets for experimental drugs that had been aimed only at working genes. "It's sort of like *Antiques Roadshow*," says Harvard genome scientist John Quackenbush, who has long argued that the junk DNA could be vital. "You look in the closet full of junk and find out you have a Picasso."

"This will revolutionize human genetics over the next few decades," says David Haussler, a Howard Hughes investigator at UC, Santa Cruz who was on the government team that decoded the human genome. He predicts that most disease-causing genetic flaws will be found lurking in our junk DNA.

The dark DNA "may be even more important" than active genes in causing disease, says Isaac Bentwich, chairman of Israel's Rosetta Genomics. Founded in 2000, Rosetta has applied for patents on 200 dark genes. He hopes for new treatments and diagnostic tools for lung cancer, prostate cancer and other diseases.

Bentwich's team is focusing on something called microRNA, a promising target discovered in the sea of junk DNA only five years ago. MicroRNAs essentially quell a gene's workings, and they already have been linked to diabetes, hepatitis C, leukemia, lymphoma and breast cancer.

"It's a revolution in how we understand the genome and how the cell functions," says MIT Nobel laureate Phillip Sharp. "There's a whole new frontier there." Sharp and a few microRNA

researchers have founded Alnylam Pharmaceuticals to invent RNA-based drugs to treat Parkinson's, cystic fibrosis and spinal injury. The firm has development deals with Merck and Novartis, and such rivals as San Francisco's Sirna Therapeutics are in pursuit.

The new view of junk DNA overturns 50 years of dogma in molecular biology. James Watson and Francis Crick discovered DNA's structure in 1953. The double-helix, twisted ladder of chemi-

debris left over from millions of years of evolution.

Now that junk-DNA theory looks to be ... junk. Huge expanses of dark DNA are nearly identical in numerous species, from flies to rats to humans. That nature has conserved the dark stuff for millions of years is a clear indication that it must do something crucial, biologists say.

Some say that the dark DNA that plays a crucial role in the body could occupy at

least 4% of the genome—almost three times the portion taken up by active genes. A better guess is that a huge 40% to 70% of the whole DNA sequence is dark DNA, with secret powers, posits Peter Andolfatto, a fruit-fly geneticist at UC, San Diego.

An early hint that junk DNA might hold treasures came in 1993, when Victor Ambros of Dartmouth Medical School studied a mysterious genetic mutation in worms that prevented them from maturing from the larva stage to adult. To his astonishment, he found that the mutation existed not in active genes but in dark DNA that controlled a tiny strand of RNA, the first microRNA whose main function was to turn off another gene.

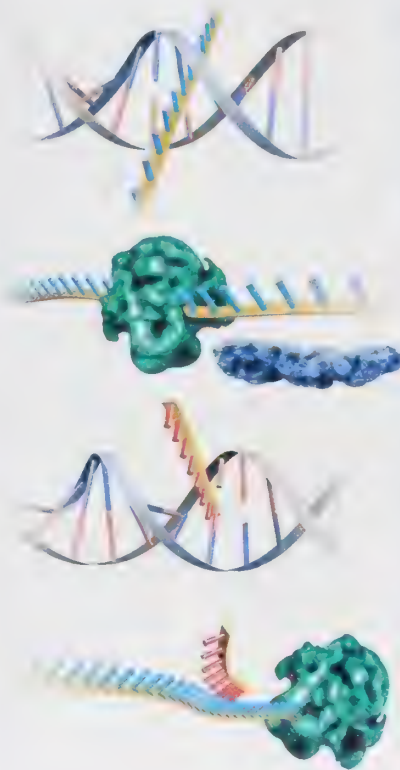
The result remained an isolated curiosity until 2000, when Harvard Medical School geneticist Gary Ruvkun found a second microRNA in worms and showed it also was present in people. That suggested there might be a whole realm of mys-

terious and undetected RNA master controllers inside cells. Soon several supercomputers tried tracking them down—and quickly found them, in abundance. Now researchers figure 300 to 1,000 human microRNAs form a hidden layer of control, helping determine which genes are turned off when. They may help regulate 30% or more of all proteins.

One, called microRNA 375, can block insulin secretion and may be involved in

All Jammed Up

Old dogma held that DNA was merely a recipe book for proteins. MicroRNAs show that it can work in previously unimagined ways. Here is what they do.



1 A gene encoded in DNA is copied into an RNA message that is sent into the cell.

2 The RNA message is read by a molecular factory called a ribosome, which uses it as a blueprint to produce a protein.

3 But it turns out that DNA also makes various tiny microRNAs; these also drift out into cells.

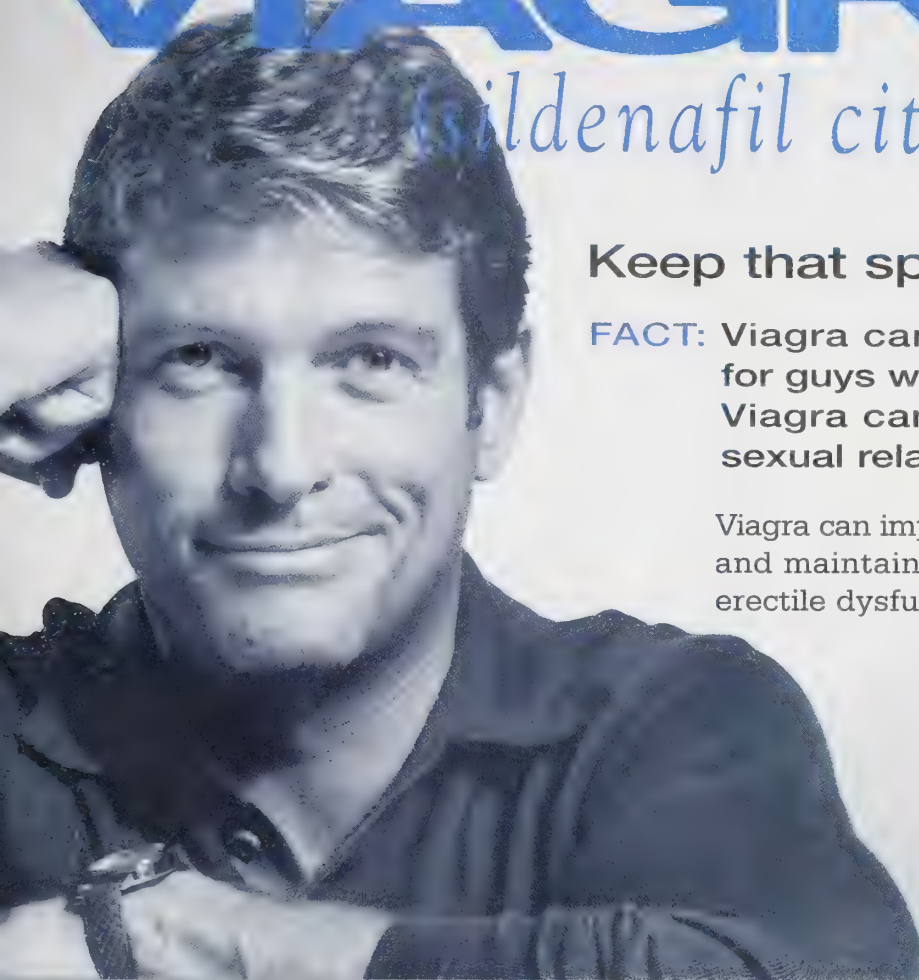
4 When a microRNA binds to a specific RNA message, it gums up protein production.

cal base pairs is carried on the 23 pairs of chromosomes that inhabit every cell in the body. The human genome contains 3 billion base pairs (or "letters") of DNA, and one active gene can span thousands of base pairs.

For decades scientists have zoomed in on the active genes that carry instructions for making hundreds of thousands of proteins; this protein production is carried out by DNA's doppelgänger, RNA. The dark genes were dismissed as

VIAGRA

(sildenafil citrate) tablets



Keep that spark alive.

FACT: Viagra can improve erections for guys with ED. Studies show Viagra can also improve their sexual relationship satisfaction.

Viagra can improve the ability to achieve and maintain an erection for guys with erectile dysfunction. **Ask your doctor if**

VIAGRA
is right for you.

To learn more, visit Viagra.com or call 1-888-4VIAGRA

VIAGRA is prescribed to treat erectile dysfunction. We know that no medicine is for everyone. If you use nitrate drugs, often used for chest pain (known as angina), don't take VIAGRA. Taking these drugs together could cause your blood pressure to drop to an unsafe level.

The most common side effects of VIAGRA are headache, facial flushing, and upset stomach. Less common are bluish or blurred vision, or being sensitive to light. These may occur for a short time. Remember to protect yourself and your partner from sexually transmitted diseases.

Talk with your doctor first. Make sure you are healthy enough to have sex. If you have chest pain, nausea, or other discomforts during sex, seek medical help right away. Although erections lasting for more than four hours may occur rarely with all ED treatments in this drug class, it is important to seek immediate medical attention. Erections lasting longer than six hours can result in long-term loss of potency.

VIAGRA is covered under most Managed Care Plans.*

Important Information: Viagra is one of several ED treatments that you and your doctor can consider.

See our patient summary of information for VIAGRA (25 mg, 50 mg, 100 mg) tablets on the following page. For a list of members by formulary status for HMOs, PPOs and POS for Viagra, Levitra, and Cialis. *Formulary Compass*™
Pfizer Inc. February 2005.

 U.S. Pharmaceuticals

VG2425051 © 2005 Pfizer Inc. All rights reserved.

Uninsured? Need help paying for medicine? Pfizer has programs that can help, no matter your age or income. You may even qualify for free Pfizer medicines. Call **1-866-706-2400**. Or visit www.pfizerhelpfulanswers.com.

 helpful
answers

VIAGRA®

(sildenafil citrate) tablets

Health

This summary contains important information about VIAGRA®. It is not meant to take the place of your doctor's instructions. Read this information carefully before you start taking VIAGRA. Ask your doctor or pharmacist if you do not understand any of this information or if you want to know more about VIAGRA.

This medicine can help many men when it is used as prescribed by their doctors. However, VIAGRA is not for everyone. It is intended for use only by men who have a condition called erectile dysfunction. VIAGRA must never be used by men who are taking medicines that contain nitrates of any kind, at any time. This includes nitroglycerin. If you take VIAGRA with any nitrate medicine your blood pressure could suddenly drop to an unsafe or life threatening level.

• What Is VIAGRA?

VIAGRA is a pill used to treat erectile dysfunction (impotence) in men. It can help many men who have erectile dysfunction get and keep an erection when they become sexually excited (stimulated).

You will not get an erection just by taking this medicine. VIAGRA helps a man with erectile dysfunction get an erection only when he is sexually excited.

• How Sex Affects the Body

When a man is sexually excited, the penis rapidly fills with more blood than usual. The penis then expands and hardens. This is called an erection. After the man is done having sex, this extra blood flows out of the penis back into the body. The erection goes away. If an erection lasts for a long time (more than 6 hours), it can permanently damage your penis. You should call a doctor immediately if you ever have a prolonged erection that lasts more than 4 hours.

Some conditions and medicines interfere with this natural erection process. The penis cannot fill with enough blood. The man cannot have an erection. This is called erectile dysfunction if it becomes a frequent problem.

During sex, your heart works harder. Therefore sexual activity may not be advisable for people who have heart problems. Before you start any treatment for erectile dysfunction, ask your doctor if your heart is healthy enough to handle the extra strain of having sex. If you have chest pains, dizziness or nausea during sex, stop having sex and immediately tell your doctor you have had this problem.

• How VIAGRA Works

VIAGRA enables many men with erectile dysfunction to respond to sexual stimulation. When a man is sexually excited, VIAGRA helps the penis fill with enough blood to cause an erection. After sex is over, the erection goes away.

• VIAGRA Is Not for Everyone

As noted above (*How Sex Affects the Body*), ask your doctor if your heart is healthy enough for sexual activity.

If you take any medicines that contain nitrates — either regularly or as needed — you should never take VIAGRA. If you take VIAGRA with any nitrate medicine or recreational drug containing nitrates, your blood pressure could suddenly drop to an unsafe level. You could get dizzy, faint, or even have a heart attack or stroke. Nitrates are found in many prescription medicines that are used to treat angina (chest pain due to heart disease) such as:

- nitroglycerin (sprays, ointments, skin patches or pastes, and tablets that are swallowed or dissolved in the mouth)
- isosorbide mononitrate and isosorbide dinitrate (tablets that are swallowed, chewed, or dissolved in the mouth)

Nitrates are also found in recreational drugs such as amyl nitrate or nitrite ("poppers"). If you are not sure if any of your medicines contain nitrates, or if you do not understand what nitrates are, ask your doctor or pharmacist.

VIAGRA is only for patients with erectile dysfunction. VIAGRA is not for newborns, children, or women. Do not let anyone else take your VIAGRA. VIAGRA must be used only under a doctor's supervision.

• What VIAGRA Does Not Do

- VIAGRA does not cure erectile dysfunction. It is a treatment for erectile dysfunction.
- VIAGRA does not protect you or your partner from getting sexually transmitted diseases, including HIV — the virus that causes AIDS.
- VIAGRA is not a hormone or an aphrodisiac.

• What To Tell Your Doctor Before You Begin VIAGRA

Only your doctor can decide if VIAGRA is right for you. VIAGRA can cause mild, temporary lowering of your blood pressure. You will need to have a thorough medical exam to diagnose your erectile dysfunction and to find out if you can safely take VIAGRA alone or with your other medicines. Your doctor should determine if your heart is healthy enough to handle the extra strain of having sex.

Be sure to tell your doctor if you:

- have ever had any heart problems (e.g., angina, chest pain, heart failure, irregular heart beats, heart attack or narrowing of the aortic valve)
- have ever had a stroke
- have low or high blood pressure
- have ever had severe vision loss
- have a rare inherited eye disease called retinitis pigmentosa
- have ever had any kidney problems
- have ever had any liver problems
- have ever had any blood problems, including sickle cell anemia or leukemia
- are allergic to sildenafil or any of the other ingredients of VIAGRA tablets

- have a deformed penis, Peyronie's disease, or ever had an erection that lasted more than 4 hours
- have stomach ulcers or any types of bleeding problems
- are taking any other medicines

• VIAGRA and Other Medicines

Some medicines can change the way VIAGRA works. Tell your doctor about any medicines you are taking. Do not start or stop taking any medicines before checking with your doctor or pharmacist. This includes prescription and nonprescription medicines or remedies:

- Remember, VIAGRA should never be used with medicines that contain nitrates (see *VIAGRA Is Not for Everyone*).
- If you are taking alpha-blocker therapy for the treatment of high blood pressure or prostate problems, you should not take a dose of greater than 25 mg of VIAGRA at the same time (within 4 hours) as you take your dose of alpha-blocker.
- If you are taking a protease inhibitor, your dose may be adjusted (please see *Finding the Right Dose for You*).
- VIAGRA should not be used with any other medical treatments that cause erections. These treatments include pills, medicines that are injected or inserted into the penis, implants or vacuum pumps.

• Finding the Right Dose for You

VIAGRA comes in different doses (25 mg, 50 mg and 100 mg). If you do not get the results you expect, talk with your doctor. You and your doctor can determine the dose that works best for you.

- Do not take more VIAGRA than your doctor prescribes.
- If you think you need a larger dose of VIAGRA, check with your doctor.
- VIAGRA should not be taken more than once a day.

If you are older than age 65, or have serious liver or kidney problems, your doctor may start you at the lowest dose (25 mg) of VIAGRA. If you are taking protease inhibitors, such as for the treatment of HIV, your doctor may recommend a 25 mg dose and may limit you to a maximum single dose of 25 mg of VIAGRA in a 48 hour period. If you are taking alpha-blocker therapy, you should not take a dose of greater than 25 mg of VIAGRA at the same time (within 4 hours) as your dose of alpha-blocker.

• How To Take VIAGRA

Take VIAGRA about one hour before you plan to have sex. Beginning in about 30 minutes and for up to 4 hours, VIAGRA can help you get an erection if you are sexually excited. If you take VIAGRA after a high-fat meal (such as a cheeseburger and french fries), the medicine may take a little longer to start working. VIAGRA can help you get an erection when you are sexually excited. You will not get an erection just by taking the pill.

• Possible Side Effects

Like all medicines, VIAGRA can cause some side effects. These effects are usually mild to moderate and usually don't last longer than a few hours. Some of these side effects are more likely to occur with higher doses. The most common side effects of VIAGRA are headache, flushing of the face, and upset stomach. Less common side effects that may occur are temporary changes in color vision (such as trouble telling the difference between blue and green objects or having a blue color tinge to them), eyes being more sensitive to light, or blurred vision.

In rare instances, men taking PDE5 inhibitors (oral erectile dysfunction medicines, including VIAGRA) reported a sudden decrease or loss of vision in one or both eyes. It is not possible to determine whether these events are related directly to these medicines, to other factors such as high blood pressure or diabetes, or to a combination of these. If you experience sudden decrease or loss of vision, stop taking PDE5 inhibitors, including VIAGRA, and call a doctor right away.

In rare instances, men have reported an erection that lasts many hours. You should call a doctor immediately if you ever have an erection that lasts more than 4 hours. If not treated right away, permanent damage to your penis could occur (see *How Sex Affects the Body*).

Heart attack, stroke, irregular heart beats, and death have been reported rarely in men taking VIAGRA. Most, but not all, of these men had heart problems before taking this medicine. It is not possible to determine whether these events were directly related to VIAGRA.

VIAGRA may cause other side effects besides those listed on this sheet. If you want more information or develop any side effects or symptoms you are concerned about, call your doctor.

• Accidental Overdose

In case of accidental overdose, call your doctor right away.

• Storing VIAGRA

Keep VIAGRA out of the reach of children. Keep VIAGRA in its original container. Store at 25°C (77°F); excursions permitted to 15-30°C (59-86°F) [see USP Controlled Room Temperature].

• For More Information on VIAGRA

VIAGRA is a prescription medicine used to treat erectile dysfunction. Only your doctor can decide if it is right for you. This sheet is only a summary. If you have any questions or want more information about VIAGRA, talk with your doctor or pharmacist, visit www.viagra.com, or call 1-888-4VIAGRA.



U.S. Pharmaceuticals

diabetes. Another, microRNA 122, is found in the liver and is used by the hepatitis C virus to help it replicate; it could be a target for future drugs for the disease. "MicroRNAs are almost ideal drug targets. The field is exploding," says Rockefeller University's Markus Stoffel. He and colleagues at Alnylam recently created new RNA drugs that bind to and break down specific microRNAs. When they tested one such RNA drug in mice, cholesterol levels fell 44%.

MIT and Harvard researchers showed in June that 217 microRNAs were altered in a wide array of tumors. Ohio State University researchers, writing in the *New England Journal of Medicine* in October, found that levels of just 13 microRNAs predicted how quickly a common type of leukemia would progress. Moreover, of 75 patients studied, 14 patients with this leukemia had mutations in their microRNA that may have caused the disease. This was the first time such mutations had been found. "When I was giving talks about microRNAs three years ago, people thought I was from Mars," says a cancer geneticist Carlo Croce, who led the research.

But even microRNA, one of myriad types of RNA, accounts for only a tiny fraction of junk DNA. What the rest does is still mostly a mystery, but almost certainly it is doing something. Many areas of the genome previously thought to be barren actually are churning out huge quantities of RNA, chipmaker Affymetrix has found. There may be hundreds of thousands of RNA molecules of various kinds that boss around our genes, says Affymetrix research director Thomas Gingeras.

Even dark DNA that doesn't even transform into microRNA or a protein-coding active gene may have crucial functions. A recent study examined a three-year-old Japanese girl with a DNA mutation that caused her to have two thumbs on each hand and seven toes on each foot. The mutation turned out to be in the junk DNA. Astoundingly, the junk DNA mutation somehow had disrupted the function of a distant developmental gene that lies a million DNA letters away.

THE NEW FALCON 2000DX

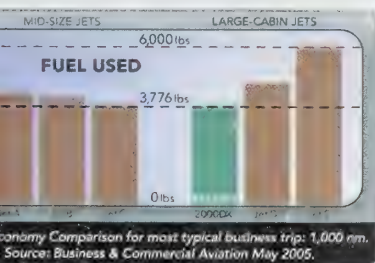
AS AGILE AND EFFICIENT AS A MUCH SMALLER JET



WITH ALL THIS COMFORT AND 3,250 NM RANGE.

The most popular planes in their class – the Falcon 2000-Series – are about to become even more popular.

The new 2000DX allows companies to move up to wide-cabin comfort – with the fuel economy of a smaller plane. www.falconjet.com.



The Large-Cabin **FALCON 2000DX**
Uses Less Fuel Than Mid-Size Jets.

Imagine a plane that affords you the size, style and prestige of an intercontinental business jet – with the fuel efficiency of a smaller jet. Imagine a beautiful design that handles short runways with ease even at high altitudes in hot weather.

Yet is so robust that it can hop from city-to-city, then leap across a continent – without stopping to refuel.

All this, plus the most advanced avionics and a cabin that is arguably the quietest in the sky.

The imagination is all ours. To make the grand new Falcon 2000DX all yours.



**DASSAULT
FALCON** ENGINEERED WITH PASSION

www.falconjet.com US 201.541.4556 France +33.1.47.11.82.32





Obscene Profits

Porn provides windfall profits for **Vivid Entertainment** and the cable giants that sell its racy fare. Now the government is cracking down for the first time in 20 years.

By Seth Lubove

IT IS MIDDAY ON A CLUTTERED movie set in an unassuming office park in a well-manicured neighborhood of Culver City, Calif., and the crew is getting restless. *Penthouse* Pet Sunny Leone, in cascades of jet-black hair and black lacy underthings, has taken close to two hours to struggle through three pages of dialogue for her debut film, thwarted by line flubs and interruptions from a noisy generator, rumbling trucks and the roar of planes passing overhead.

"I forgot my line already," she giggles as the camera stops yet again. "Thank you, Jesus," a crew member says when the actress finally nails it. "Can I get an 'Amen'?" she says good-naturedly. By the time she begins her first make-out scene, late in the day, her moans of pleasure as fake as the plastic snowflakes that are supposed to conjure up a ski lodge, the crew is too bored to betray much interest. Other performers wander around in various stages of undress, barely meriting a glance.

This is business as usual on the set of Vivid Entertainment in Los Angeles, the nation's largest producer of video pornography. Privately held, it claims annual revenue of \$100 million. Quite possibly half that sum falls to the bottom line. Filmed in three days at a cost of \$50,000, the 85-minute *Sunny* will likely produce total retail rev-

Lights, camera, moan!
Vivid's Steven Hirsch.

JOE PUGLIESE FOR FORBES

enue of \$5 million, much of it spread among Vivid's "white-collar" partners—cable systems owned by Comcast, Time Warner and others, the DirecTV satellite service and hotel networks.

"I feel like this company is bubbling to the surface and will explode," says Vivid Chief Steven Hirsch, who cofounded it in 1984 on \$20,000, much of it borrowed, and still owns it with two partners. Vivid makes some 60 films a year and releases 30 compilation discs a month. Hirsch now licenses the Vivid name for a vodka line, videogames, a Las Vegas night club, virility-enhancement concoctions, X-rated comic books and even a set of custom car wheels. He flirts with the idea of taking the company public in a few years. (So far New Frontier Media and Private Media Group are the only publicly held firms in hardcore, both of them mediocre performers.)

"This is a business, and we treat it like a business," says Hirsch, 44, whose obsessively neat office sits across the 101 freeway from General Electric's Universal Studios and displays a wall of plasma screens tuned to financial news, sports and dozens of security-camera feeds. His partner, William Asher, who holds diplomas from Dartmouth and the University of Southern California, says Vivid could reap riches on new outlets such as cell phones and iPods. "Adult is almost too good to be true," he says.

But the feds are now mounting the biggest attack on porn since the Reagan Administration 20 years ago. Congress is trying to legislate new curbs, while the feds step up enforcement of existing laws, racking up 40 obscenity convictions since 2001. That compares with just four in all eight years of the Clinton Administration.

"These are dangerous, scary times," Hirsch intones. "At the same time, there's been an explosion of technology and delivery platforms, so there's a disconnect with the morality police. Ultimately I believe juries understand people have the right to watch what they want to watch."

Not if Philip Burrell can help it. His Citizens for Community Values, formed in 1983 in Cincinnati, has made life miserable for strip clubs and other adult businesses in the area. In Washington he met with Al-

berto Gonzalez a few months after Gonzalez became attorney general, to urge him to crack down on the hotel pay-per-view outfits and the satellite and cable firms that reap porn profits. "I've made it clear to him we won't make a dent in the campaign until they go after the white-collar pornographers," Burrell says.

The Justice Department's antiporn budget has doubled since 2001, to \$42 million. But DOJ has kept a low profile on the issue since recent reports brought ridicule in the press for misplaced priorities. "It's time to confront the real terror threat—porn," sneered one headline.

In Congress, a porn crackdown gives Democrats a chance to grab on to a red-state issue. In July a group of congressional Democrats proposed the Internet Safety & Child Protection Act of 2005, which would require age-checking software for all porn sites and impose a 25% excise tax on

"We won't make a dent in the campaign until they go after the **white-collar pornographers.**"

Internet porn. Children now first see porn at age 11, the bill's backers announced, repeating a claim that turns out to be baseless (see related story at *Forbes.com*).

In September an amendment to a porn bill sought to extend onerous recordkeeping rules to even the fake sex scenes in many Hollywood films and TV shows. The rules are intended to ensure that all performers are 18 or older, and the new measure would subject studios that fail to comply to criminal prosecution.

For now the Department of Justice has had more luck chasing down old-fashioned adult-bookstore owners and porn distributors for shipping naughty goods across state lines. In New York adult outlets are fighting in court to preserve a loophole that lets them continue to thrive despite tough zoning restrictions that were supposed to wipe many of them out.

Government has found it even more difficult to tackle Internet pornographers who distribute via broadband, often from Russia or eastern Europe. Even domestic vendors are difficult targets. The feds just lost a case against Extreme Associates, whose graphic films of fictionalized

rape make Vivid look like Disney.

A U.S. District Court judge in Pittsburgh threw out the ten-count indictment in January, declaring obscenity statutes unconstitutional because they don't let people view porn in the privacy of their own homes. Extreme Associates now cheekily markets "The Federal Five" movies that were singled out by the government, which is appealing the ruling to the Third Circuit Court of Appeals in Philadelphia. The Bush Administration says if the decision stands, it will undermine obscenity laws and "laws against prostitution, bestiality and bigamy."

Since 1973 the boundary line between criminal obscenity and free speech was defined by the U.S. Supreme Court ruling in *Miller v. California*, which cited the importance of community standards and applied the LAPS test. Porn was illegal when it was sexually explicit and utterly lacking in "lit-

erary, artistic, political or scientific value." The Internet has upended all of that. "It used to be easy to define a community because there were just adult theaters and bookstores," says Hirsch. "Now the Internet breaks down community standards. Isn't that what the First Amendment is about: the right to privacy?"

Hirsch hopes the Internet and its effects on community standards will keep him in business and curtail the next wave of federal prosecutions. Vivid last faced charges 16 years ago, when it got into trouble for sending a movie across state lines to a customer in Oxford, Miss. who turned out to be a postal inspector; Hirsch paid a \$500,000 fine.

When he started in 1984, Hirsch's inspiration was to reinvent, on a cheap and tiny scale, the old Hollywood studio system, mining for talent, investing in turning the new star into a bona fide brand and locking her in to make and promote more films. Hirsch's most successful star by far is Jenna Jameson, a buxom one-woman porn factory whose movies sell upward of 50,000 copies at \$50 apiece and who has licensed her



I checked my e-mail after
I finished the conference
call. I replied to all

AND

I adjusted my sunglasses.
I took aim at the asphalt
as I popped the clutch,
ignoring the view in my
rearview mirror.

Who says you can't have both work AND life?

Get the new BlackBerry 7105t™ from T-Mobile, now with the easiest way to use Yahoo!® Mail. Plus, you get unlimited BlackBerry® service with e-mail, instant messaging, Web browsing, and the most *WHENEVER* Minutes®. All this, for as little as \$59.99 per month on the world's largest all-GSM network. A small price to pay for something that could change your life.

Find out more at www.t-mobile.com or call 1.800.TMOBILE.



T-Mobile

Get more from life™

BlackBerry

"Highest In Customer Satisfaction With Business Wireless Service"



WHENEVER Minutes is a feature.

name for a line of sex toys, action figures and cell phone ring-tone moans.

Sunny Leone, the rookie on the skidodge set, doesn't rate such treatment yet—she will be paid \$20,000 or so for her two scenes. "Loud, Sunny, get loud for us," purrs the director, who goes by the phony name "B. Skow," as the cameraman contorts himself to get as close as possible to the action. "Yeah, that's the way I like it."

Vivid's distributors played no role in making *Sunny* but will reap much of the upside: sales of, say, 20,000 DVDs at \$12 to \$15 a pop wholesale (distributed by *Hustler* publisher Larry Flynt's network) and sold for \$30 to \$40 at retail; up to \$1.5 million in revenue for pay-per-view on cable systems and on DirecTV (each of which typically pockets up to a 90% cut); and several hundred thousand dollars more from viewings in hotel rooms (which is why, on the *Sunny* set the other day, a second, soft-core camera simultaneously shot the same nude scenes from the waist up).

At some point the new film will air on a Playboy-owned channel. Hugh Hefner's company paid Vivid \$70 million in 2001 to acquire the Spice networks, hard-core pay channels that Playboy now programs with Vivid's explicit movies. Also, Vivid will resell *Sunny* in compilation DVDs as her library of performances builds. It also sells phone-sex ads that appear at the start of each DVD (spots that, it turns out, are impossible to skip). And it will add *Sunny* to the offerings on its Web site, *vivid.com*, with tens of thousands of subscribers paying \$30 a month for access and unlimited streaming video, Hirsch says.

Vivid also hopes to begin beaming out cell phone videos in the U.S. in the next few months and to keep a much bigger share of the loot than the meager 10% it gets from the cable industry.

"The numbers on our cell phone business are just phenomenal," Asher says—already at \$10 million (in retail) a year in Europe.

Hirsch vows to continue pushing porn despite the growing crackdown on obscenity. As he sees it, he's only guilty of giving customers what they want. "These moral crusaders are hiding behind the facade of protecting children, when their real agenda is to get rid of any forms of adult material," he says. **F**

Timber!

Charlie Hurwitz took on the federal government and won. One more victory like this and he's going to be in real trouble | By Christopher Helman

IT SHOULD HAVE BEEN A MOMENT OF triumphant vindication. Charles Hurwitz, chief executive of publicly traded Maxxam of Houston, had just won one of the largest judgments ever against Uncle Sam: \$72 million to reimburse his legal bills incurred over the course of his ten-year fight with the Federal Deposit Insurance Corp. But Hurwitz, 65, couldn't shake his notorious

gloom. "I don't want this to happen to anybody else," he says.

So ended the government's case against Hurwitz. It had tried and failed to nail him for his role in the 1989 collapse of a \$5 billion (assets) Houston savings and loan—and then, in a bizarre twist, attempted to extort thousands of acres of old-growth redwood forests as the price of his freedom from liability for the S&L's



COMPLY WITH CONFIDENCE.

emo to CIOs everywhere: Regulatory compliance just got a little less painful. As a
world leader in information integrity, Symantec can help your company conform to
the standards regarding security and privacy, information retention and corporate
accountability required by today's regulatory and legal mandates. And along with compliance comes
the confidence that your company's information is protected—to help keep it safe, secure and readily
available to those who depend on it. So you can go about the day's business, and get a good night's
sleep. Call 800-745-6054 or visit <http://information-integrity.com>. **BE FEARLESS.**



© 2005 Symantec Corporation. All rights reserved. Symantec and the Symantec logo are registered trademarks of Symantec Corporation or its affiliates in the U.S. and other countries.



Hurwitz's High Jinks

1970s: Has run-ins with federal and state regulators over stock manipulation and insurance fraud. In 1975 Summit Insurance Co. goes bankrupt and is liquidated.



◀**1985:** With financing from Michael Milken of Drexel Burnham, does LBO of Pacific Lumber.

1988: Milken financing helps gain a controlling stake in Kaiser Aluminum. ▶



1989: United Savings Association of Texas fails, resulting in \$1.6 billion bailout.



◀**1997:** Plans to clear-cut redwoods spark protests. Julia (Butterfly) Hill tree-sits in "Luna" for two years.

1999: Sells some old-growth stands to Uncle Sam.



2002: Kaiser goes bust. ▶

2005: Pacific Lumber on verge of bankruptcy.

Infuriated, driven by an avenging sense of righteousness, Hurwitz fought the government at every turn. And, against long odds, won. In his recent opinion District Court Judge Lynn Hughes lashed the feds, saying, "the record reveals corrupt individuals within a corrupt agency with corrupt influences on it."

But what price justice? "I had no idea it would take this long, [cause] this much wear and tear and cost this much money," says Hurwitz. "What I do know is that we were right."

Right on principle, wrong on outcome. With this and with many another battle Hurwitz has made lasting enemies of federal, state and municipal officials, environmentalists and creditors—all of whom are in a position to get in his way, whatever the principle of the matter. Maxxam lost \$45 million on \$355 in revenue over the last 12 months. With its timber operations (a.k.a. Pacific Lumber, \$200 million or so a year in sales), real estate (\$100 million-plus) and racing properties (\$50 million), the company has been whittled to one-seventh the size it was in 1997; it hasn't had a year of profit since 2000. Absent some regulatory relief Maxxam's timber business, according to the latest filings, may be forced to sell off operations and file for Chapter 11. At a re-

cent \$33 Maxxam's shares are trading at half what they were six years ago. Any other chief executive would have been booted by now. But Hurwitz controls 76% of the voting shares.

Today it's hard to believe that Hurwitz once inspired fear as a corporate raider who survived multiple dustups with regulators. Born in Kilgore, Tex., where his father owned a couple of clothing stores, Hurwitz earned a business degree from the University of Oklahoma and became a stockbroker for Bache Securities in San Antonio. He formed a small brokerage and investment outfit, bought Summit Insurance Co. of New York in 1970 and was sued by the Securities & Exchange Commission for manipulating Summit stock; he got off by signing a consent decree. After Summit went bankrupt and was liquidated in 1975, Hurwitz was charged by the acting insurance superintendent of New York with insurance fraud for improperly shuttling funds between holding companies, settling for \$400,000. Meanwhile, he had been buying stock in McCulloch Oil Co., taking control in 1980 and renaming it MCO Holdings. With the help of junk bond financing from Michael Milken, Hurwitz took over Simplicity Pattern Co., spiked the dividend, took cash out of its overfunded pension plan and

sold assets. The resulting company was re-named Maxxam. When friendly buyouts didn't work, Hurwitz engaged in greenmail. The directors at Castle & Cook, the Honolulu fruit and real estate company, fended off his hostile bid but were forced to pay a 25% premium on his shares to be rid of him.

The deal that got Hurwitz into real trouble was an investment in 1983 for just under 25% of United Financial, a banking company that owned a Houston savings and loan called United Savings Association of Texas. Hurwitz became chairman of United Financial but held no executive position. In 1984 the bank started investing in corporate bonds underwritten by Drexel Burnham Lambert, acquiring more than \$1 billion worth by 1988. (Maxxam and Drexel got very cozy during these years, teaming up for Hurwitz's buyouts of Pacific Lumber and Kaiser Aluminum.) That year crushed by hundreds of millions of dollars in losses from interest-rate swaps and junk bonds, United Savings failed. Taxpayers spent \$1.6 billion to bail out the bank.

Federal investigators badly wanted to finger Hurwitz but didn't have the goods. His indirect stake in United Savings was far too low to hold him personally liable for the thrift's investment decisions or for his not propping up the bank with his own capital. So the government persuaded him to sign an annual tolling agreement, which allowed the feds to stop the clock and build a stronger case. In 1995 Hurwitz stopped signing.

That's when the government went after him. The FDIC claimed Hurwitz acted with gross negligence and abetted the reckless investment decisions of other officers and board members of the thrift; the agency sought damages of \$250 million. It handed off the case to the Office of Thrift Supervision, which added a few charges of its own, noting that because Milken had helped Hurwitz gain effective control of United Financial, the bank's purchase of \$1.5 billion worth of junk bonds and other securities brokered by Drexel were "prohibited affiliated-person transactions." The OTS suit sought damages of up to \$821 million. Still, the government apparently put little stock in its chances: According to internal memos turned up in trial, the attorneys gave the case just 30% chance of winning.

Meet Hasahan Morgan. The next great Supreme Court Justice.



As a fourth-year law student studying at one of America's Historically Black Colleges and Universities (HBCU), Hasahan may one day play an important role in our justice system. A commitment to developing future leaders is why Honda sponsors HBCU programs such as the Honda Campus All-Star Challenge and Honda Battle of the Bands. Because of the important work done by these great educational institutions, young people like Hasahan will make important contributions to our laws and society.

HONDA
The Power of Dreams

For information about America's Historically Black Colleges and Universities visit hbcu-central.com or honda.com. © 2005 American Honda Motor Co., Inc.



“He said, ‘It’s not worth fighting the government. Just move on.’”

During this time Hurwitz had been busy carving up Pacific Lumber. He nearly doubled the harvest to 285 million board feet a year, sold a metal cutting and welding business for \$300 million and San Francisco real estate for \$31 million. But what sparked a backlash was Maxxam’s clear-cutting of old-growth sequoias like those in the 7,000-acre Headwaters forest. “It was the reason we were interested in Pacific Lumber,” says Hurwitz. A freshly felled giant might wholesale for \$100,000.

The outcry over damage to Headwaters happened overnight. Celebrities like actor Woody Harrelson were arrested at demonstrations that also protested the danger to the spotted owl and marbled murrelet populations. Hurwitz was physically assaulted and attacked on the Web site jailhurwitz.com. The anti-Maxxam cause went national after Julia (Butterfly) Hill spent two years living in a 200-foot-tall redwood she dubbed “Luna.” Hill came down only after her organization paid Maxxam \$50,000 to spare the tree. (It was later vandalized with a chain saw, but it survives today, with considerable metal supports.)

The government exploited the tension with an unprecedented “debt for nature” proposal. Under the deal the feds agreed to drop their S&L case against Hurwitz in exchange for as much as 44,000 acres of old-growth forest. Even the Clinton White House got involved: According to court documents, Leon Panetta, then chief of staff, sent a letter in 1994 to the Audubon Society in praise of the plan. That year Vice

President Al Gore tried to twist Hurwitz’s arm. But insisting that he had done no wrong, Hurwitz refused.

However justified, his lonely stand cost him. Even friend George Kozmetsky, cofounder of Teledyne and a Maxxam board member, failed to convince him to take the deal. “George used to tell me every day to get rid of it at any cost,” recalls Hurwitz. “He said, ‘It’s not worth fighting the government. Our energies should be spent in other ways. Whatever it cost, we can

make that money back; just move on.’” George died a year and a half ago.

Hurwitz stubbornly held on for three years. At first that seemed like a smart move. In a 1999 agreement he sold 9,500 acres of old trees to California and the feds for \$405 million, a \$333 million gain. With the deal, though, Hurwitz had to abide by restrictions on how he could harvest Pacific Lumber’s remaining acreage. Getting the logging permits promised by the agreement—178 million board feet a year, enough to keep Pacific Lumber alive—would prove to be extremely difficult.

The agreement did nothing to end the government lawsuit, which by then had cost Hurwitz an estimated \$35 million. The case dragged on until September 2001, when an administrative judge at OTS ruled that the government’s case was brought in bad faith. Finally free from defending himself, Hurwitz could have walked away and focused on his languishing businesses. Instead he was bent on revenge, filing a second motion against the FDIC for suing him in bad faith.

While he was winning this battle, he was losing a war. By the time of the ruling it was already too late for Kaiser Aluminum, which had a pretax profit of \$66 million in 1997 when it contributed 80% of Maxxam revenues. But after years of asbestos litigation, mounting overseas competition, rising energy prices and labor costs, the aluminum company filed for bankruptcy in 2002 and was liquidated.

Pacific Lumber has suffered, too. Profitable before the 1999 agreement, it has

slipped into the red every year since, even in 2002, the only year when it was able to harvest its promised allocation of trees. Reason: Enviros have blocked permits in prime watersheds where clear-cutting would cause flooding and erosion.

Reeling from the cash crisis of his timber operations, Hurwitz last April initiated negotiations with his bondholders to restructure the \$700 million in debt loaded up on PL subsidiary Scotia Pacific. Interest on the Scopac notes totals \$54 million a year, but the business can’t cut enough trees to meet payments; it was \$2.2 million short last summer. Pacific Lumber made a emergency loan and has since expanded its credit line to pay Scopac’s interest again on Jan. 20. But it’s an unsustainable relationship that has bondholders like Capital Research & Management and Bank of America pushing for restructuring.

Hurwitz first proposed, then walked away from, a tentative agreement in September that would have exchanged \$700 million in old notes for \$300 million in new notes plus 90% of the equity in Scopac. Why? He wanted a promise that Scopac could continue to supply Pacific Lumber—a deal breaker for the creditors. Now comes the waiting game to see who can hold out longer for the best terms.

Whatever Maxxam ends up with won’t be much. There’s a smattering of real estate investments managed by Hurwitz’s son Shawn. A few resort communities in California, Arizona and Puerto Rico, two commercial properties in Houston and Motel franchises in ten states deliver annual earnings before interest and taxes of \$71 million. After that there’s just a couple of racetracks—dogs and horses in Texas that lose \$2 million a year, thanks, in part, to failed efforts to legalize video-slot-machine gambling. You make money in gaming only if the gaming regulators want you to.

Hurwitz says his legal crusades erased many lucrative business opportunities over the years, though he won’t name them. So why continue down this ruinous course? “I felt that somebody had to fight this fight,” he says, “and I wanted to be there in the end to see the last card turned over.”

It’s not over yet. An FDIC spokesman says the agency is confident the \$72 million ruling will be overturned on appeal.

Photo credit: Elisabeth Miskell, Texas Tourism

TEXAS

WIDE OPEN FOR BUSINESS

Photo credit: Jerry Comer

Written by Susan H. Burnell

Proclaim it in headlines as big as Texas: The business climate here is great. While bragging is a Texas tradition, the state has earned every bit of its boast. Over the past few years, Texas has gone to great lengths to ensure that its economy continues to thrive.

“Texas continues to garner national attention — and bragging rights — because of our state’s favorable tax climate, tort reform, business-friendly attitude and low cost of doing business,” says Governor Rick Perry, who has implemented policies of fiscal discipline and made smart use of incentive funds to bring major employers to the state. Those efforts are generating attention and investment on a global scale.



JEFF MOSELEY
PRESIDENT AND CEO
GREATER HOUSTON
PARTNERSHIP

Walk up to a Houstonian. Tell them they can't do something. Then watch them prove you wrong. We tackle every challenge with a uniquely Houston attitude.

- When many scoffed at carving through 50 miles of coastal swamp to create the largest man-made shipping channel in the world, Houston did it.
- When world-class health care was difficult to access, Houstonians created the largest concentration of medical professionals in the history of mankind — the Texas Medical Center.
- When our neighbors to the east suffered through Hurricane Katrina, Houston stood tall with an unparalleled display of manpower and resources.

Eccentric? Sure. Eclectic? Perhaps. Driven? Without a doubt. While others offer only tax and financial incentives, Houston stands alone with the ultimate value proposition — a can-do attitude that transforms dreams into reality. Because no one knows better than Houston, that with vision, hard work and the right attitude, anything is possible.

WWW.GHLPARTNERSHIP.ORG
713.264.3800



GREATER HOUSTON PARTNERSHIP

A STEADY STREAM OF SUPERLATIVES

In September, a survey by Development Counsellors International rated Texas the "Best State for Business."

In April, *Foreign Direct Investment* magazine called it "The U.S. State of the Future" based upon economic potential, cost effectiveness, human resources, information technology and telecommunication infrastructure, transportation infrastructure, foreign investment promotion strategy and quality of life. In March 2005, Texas earned *Site Selection* magazine's Governor's Cup for closing the most job creation deals in the country. That honor followed on the heels of a November 2004 *Site Selection* ranking as the number one business climate in the nation.

The state secured 10 of the top 20 capital investment projects of 2004, including Countrywide Financial's creation of 7,500 new jobs — the largest single new job announcement anywhere in the U.S. in the past four years. Texas also landed the nation's top transportation equipment deal last year when Vought Aircraft announced a \$598 million capital investment and 3,000 new jobs as it expands its Grand Prairie manufacturing plant. In October 2005, the world's leading oil field services company, Schlumberger Limited, announced the relocation of its corporate office from New York to Houston.

ENTERPRISE FUND SWEETENS DEALS

The state of Texas backs up its "Wide Open for Business" economic development campaign with the Texas Enterprise Fund (TEF), established in 2003 and administered by the governor's office. The TEF is the largest deal-closing fund of its kind in the nation, and it has helped the state land projects like Texas Instruments, CITGO, semiconductor manufacturer Maxim and SEMATECH's Advanced



Photo credit: David

Materials Research Center. The fund has awarded more than \$279 million with a total capital investment of over \$6.5 billion. At last count, in excess of 34,000 jobs had been announced. A testament to its success, the Texas Legislature reauthorized and replenished funding for the TEF during the 2005 legislative session.

The TEF figured prominently in The Home Depot's decision to locate a new technology center in Austin and a customer service center in New Braunfels. According to The Home Depot, the world's largest home improvement retailer, it will employ 850 between the two locations.

"The Austin location gives us a footprint in the region and allows us to broaden our base," says Mike Kincaid, senior director of IT operations and Austin technology site manager for The Home Depot. "State economic development representatives, county commissioners, the City of Austin and the Austin School District clearly lived up to the Texas slogan, 'Wide Open for Business.' They worked earnestly to make this a success. We had a very aggressive multi-phase move schedule, and officials guided us through the rules instead of putting up roadblocks. They also continued to work with us after the expansion to make sure we have what we need."

The TEF helped bring Washington Mutual to San Antonio in early 2005. The company's new regional operations center will create more than 4,000 jobs in the state of Texas over the next seven years.

"We made this decision because we felt that the state — and San Antonio specifically — provided a business-friendly environment, a strong pool



Are they still called dreams when they come true?

In a city where opportunity lines the streets and optimism fills the halls of business, dreams are realized daily. Every year, savvy entrepreneurs and corporate visionaries relocate to the Houston region for our encouraging business environment. Perhaps that's why Houston is home to America's third largest collection of *Fortune 500* companies. Or perhaps it's because of our vast network of more than 40 economic development organizations poised to help your company succeed. Or our famous can-do attitude that makes things happen when others say it can't be done. Whether it's our rock-bottom cost of living, educated workforce or world-class amenities, we give business a reason to dream big. To make your dreams a reality, call Jeff Moseley at 713-844-3601.

GREATER HOUSTON PARTNERSHIP
Chamber of Commerce • Economic Development • World Trade

Houston
anything is possible

Sugar Land
sugarlandecodev.com
5-2829

East Montgomery County
Improvement District
www.emctx.com
281-354-4419

Greater Fort Bend Economic
Development Council
www.fortbendcounty.org
281-242-0000

Greater Houston Partnership
www.houston.org
281-844-3600

Houston Airport System
www.houstonairportsystem.org
281-233-3000

GIRLING

HEALTH CARE, INC.

ROBERT G.W. GIRLING, III — B.A., B.D., M.S.S.W.
Chairman of the Board of Directors

BETTIE J. GIRLING — B.S., M.S.S.W.
Chief Executive Officer

ROBERT G.W. GIRLING IV —
Chief Operations Officer

"Having grown up in home care, I have learned that the spirit of the company lies within the compassion of our employees. You don't stay in business 39 years without treating every patient as if they were your own family member. In the end, Girling Health Care is just one big family."

MARIA J.A. GIRLING SCHWENK, B.S.
Vice President of Purchasing

"Girling Health Care is a company that stands on its reputation. After 39 years in business, Girling has become a household name, and I think this is because we go the extra mile to make sure the patients have the kind of care they really need."

KATHERINE GIRLING-ODOM, B.S., M.S.S.W.
Vice President of Customer Service and Client/Patient Relations

"My parents had a profound effect on my life and I followed in their footsteps and became a social worker, committed to the same ethics and values."

MARY DURFOR, M.S.N., R.N.

Vice President—Home Health Operations

"Girling Health Care is a company owned by social workers and that in itself is what distinguishes Girling from other home health agencies. This is a company that operates within a culture of compassion and upon a foundation of ethics."

MICKEY ATKINS, B.B.A., C.P.A.
Controller

"I'm the numbers guy, and I have a profound admiration for the Girlings and the sound company they have built as a family. It's rock solid, and it performs a great service to each community it serves."

WAYNE DOUGLAS, B.B.A.
General Manager

"The Girlings got into this business because they care about people. Whenever there are new opportunities, Betty's first question is: 'Is this taking care of our patients.' Because if we're taking care of our patients, everything else takes care of itself."

qualified applicants, affordable housing for our employees, a strong school system, a central location and, just as important, a great quality of life," says Steve Rotella, president and chief operating officer for Washington Mutual. "We entered the Texas market in 1998, and we have since grown to more than 240 locations with 3,500 employees throughout the state. We are looking forward to an even better — and bigger — future here."

STREAMLINED NEGOTIATIONS, STRATEGIC LOCATION

Several years ago, Gov. Perry streamlined the state's economic development efforts, placing the department within the governor's office. Business decision makers can now deal directly with the governor and staff to negotiate expansion deals. Texas economic development officials point to recent tort reform as another key consideration for businesses choosing to locate in the state. The historic 2003 legislation protects companies from frivolous lawsuits.

The Lone Star State also offers the stellar combination of a strong and diverse workforce, abundant natural resources, a separate power grid and proximity to domestic markets and Mexico. It shares a 1,254-mile border with Mexico, and 70% of America's exports to Mexico go through Texas.

Ruiz Foods, a privately owned corporation based in Dinuba, Calif., sought and found a Texas location last year. "We're growing fast, and we saw a need to follow the Hispanic population beyond California," says Bryce Ruiz,

executive vice president. Ruiz Foods signature brand, El Monterey®, is a number-one brand of frozen Mexican food in the U.S. According to Ruiz Foods, the company's new manufacturing and distribution facility in Denison will employ 450 people. "The state of Texas was extremely responsive in locating an existing building for us that offered great incentives and moved quickly," says Ruiz. "The availability and quality of the area's skilled labor and hourly workers allows us to run a technically advanced business and respond quickly to large customer orders."

TARGETING GROWTH INDUSTRIES

Texas ranks second in the nation for biomedical and pharmaceutical startups, and the state is home to 1,756 medical research, development and testing laboratories and pharmaceutical companies. Biotechnology and life sciences are among the industry clusters Texas has identified as key to economic growth.

One of the early entries to the biotech business in the state is Intro Therapeutics, Inc., with corporate headquarters in Austin and R&D and production facilities in Houston. "The company controls a broad intellectual property portfolio that includes more than 250 pending and issued patents. 'Intellectual property and patents are the ultimate renewable resource,'" says David G. Nance, president and chief executive officer. "Texas has a growing critical mass of companies in the biotech cluster, and the state is ideally positioned to compete globally." Nance

is an active participant in national, state and regional advisory boards, including the Texas Advisory Council on the Digital Economy and the Emerging Technology Program.

The \$200 million Emerging Technology Program was set up to foster the development and commercialization of new technologies statewide. It establishes



Photo credit: Courtesy of SEMATECH

GIRLING HEALTH CARE, INC.

A FAMILY OWNED AND OPERATED BUSINESS

Advertisement

Robert G.W. Girling, III:
Chairman of the
Board of Directors 1967-Present
Chief Executive Director 8/67-1/03



Bettie J. Girling:
Chief Executive Officer 1/03-Present
Vice President Board of Directors
Chief Operating Officer 8/67-1/03

Texas Pioneers in Home Health Care

The spirit of so many Texas pioneers who have gone before them, Robert G.W. Girling, III and Bettie J. Girling have proven that perseverance and dreaming big can cause a ripple effect that touches the lives of multiple generations. The founders of Girling Health Care Inc. in Austin, Texas, the husband-wife team has nurtured what was once a modest, home-based medical registry for homemakers and babysitters into one of the top 25 employers in the state of Texas and the largest home health care company in Austin. The Girlings established the company because they needed additional help to help raise their three young children, ages 6, 5, and 2. "We started Girling Home Health Care in one corner of our bedroom with a coffee-legged, secondhand student desk and borrowed from Bettie's mother to get the space for a registry. Our homemakers and health aides carried out daily living tasks for our clients, assisting in grooming and running errands and taking them to doctors' appointments," Bob says.

Bob had to describe my parents in one word, it would be phenomenal," says Robert "Bobby" G.W. Girling, IV, the company's chief operations officer. "They took something from scratch and built it into a huge corporation that operates in six states, employs more than 100 people and oversees 22,000 clients who use our services."

My wife and I have always been in the service industry," Bob says. "Our mission and vision was always clear: to provide care to people at home. Most people would prefer to receive care in their own homes and not in a hospital." Bob's administrative abilities have kept the company afloat for 39 years. "My job has been one of finance and learning to work with others," Bettie adds, "We discovered that a lot of people who really needed our services didn't have the funds to pay for them, not even pre-paid insurance, anyway."

Taking care of others is just our way of life," the Girlings say. Yet no matter how large their company has become, the Girlings still look after their clients and every detail of business with the same commitment. In the years that followed, the industry and academic community have bestowed some of their highest honorary titles and awards to the Girlings for their impact on the home health industry.

In 1980, the Girlings took their largest leap of faith when the Texas Department of Human Services contracted for its community care program. The still relatively small company submitted a bid and was awarded several regions, gaining thousands of new clients overnight.

Bettie says, "It was a challenge to coordinate the transfer of clients and providers. I think we did it well."

The Girlings share this commitment to quality care with their management team and their children, who all work for Girling Health Care. Robert G.W. Girling, IV is the Chief Operations Officer, daughter Katherine Susan Jane Girling-Odom is Vice President of Customer Service and Client/Patient Relations, and daughter Maria Julia Anastasia Girling-Schwenk is Vice President of Purchasing.

According to the Girlings, their children are a vital part of their lives and business. "The total management team is totally committed to the same ethics and principles," Bob says.

Bobby says: "Having grown up in home care, I have learned that the spirit of the company lies within the compassion of our employees. You don't stay in business 39 years without treating every patient as if they were your own family member. In the end, Girling Health Care is just one big family."

Daughter Katherine Susan Jane Girling-Odom adds, "My parents had a profound effect on my life and I followed in their footsteps and became a social worker, committed to the same ethics and values."

"Through all obstacles, my parents have a passion for what they do," says Maria J.A. Girling-Schwenk. "They have committed their lives to taking care of people. They have always treated each patient as a family member. I have a great respect and admiration for my parents. Girling Health Care has survived and thrived due to their perseverance."

Comments from early pioneer doctors who used home health care for their patients:

Dr. Rambie Briggs, G.E.

"The Girlings have done a wonderful job. They really were pioneers and were brave enough to see the need and it was a business decision for them, but it wasn't easy or clear to see what to do when they started it."

Dr. L. Don Greenway, O.R.S., O.S.M.

"Girling Health Care was the first agency that I recall to provide the home health care. I consider Girling the gold standard for home care agencies in the community. My experience with Girling has been excellent and I look forward to a continued good relationship with Girling."

Dr. Carlos Campos, M.D., M.P.H.

"In my twenty-one years of practicing as a primary care physician I have had the privilege of referring my patients in need of home health care to Girling Health Care. Their motto 'compassionate care' is also the description of their service to my patients. Over the years, I have noticed their commitment to hiring excellent staff. My patients will now ask for them by name and their reputation is outstanding."

Dr. George Handley, M.D., F.C.C.P.

"I have been a physician 42 years, recently retired from practice in Internal Medicine with a sub-specialty in Pulmonary Diseases, Austin, TX. Despite the changes in the philosophy of reimbursement from the Federal Government, States and Private Insurance, Girling Health Care has maintained the highest standard of care for their patients, not only in urban areas but also in rural areas as well. It is heartening to witness sincerity, compassion and genuine caring at a time when society, in my opinion, perceives health care as only interested in a financial profit."

Dr. George W. Lowe, I.M., C.D.

"I use home health more and more as the years go by. Sometimes the referrals were limited by which HMO referred to which home health care agency and the bidding business and so forth. Sometimes there were some barriers, but whenever I had the opportunity to refer to Girling, I did, because they always focused on the highest quality care and did excellent reviewing before they hired a nurse. They had excellent relationships with the professionals."

With Bob serving as Chairman and Bettie as CEO, the Girlings, now in their 70s, have no plans to retire anytime soon. The couple remains hands-on with day-to-day operations, forever supporting their life-long mission to help others.

One recent afternoon, Bettie sat behind her desk, poring over a caregiver's resume - something she has done countless times before. On the lapel of her jacket, a novelty button states in big red letters, "Who I Am Makes a Difference." "I find this work to be challenging, exciting and forever interesting. I just love caring for people," she says, and then adds with a smile, "I expect I'll be doing this for the rest of my life."



MICHEL MAYER
CHAIRMAN AND CEO
FREESCALE
SEMICONDUCTOR, INC.

Freescale Semiconductor is a global leader in the semiconductor industry and much of our 52-year legacy has been built in the "Silicon Hills" of Austin, Texas.

Freescale serves as a key technology supplier to the automotive, networking, industrial control, consumer electronics and wireless communications industries. The breadth of our portfolio, over 14,000 products, makes us a persuasive influence on devices from cell phones to washing machines, from routers to refrigerators, and from cameras to the silicon content in over 40% of all new cars and trucks.

Austin is one of the world's great technology centers. It is a hub for the semiconductor industry with nearly 100 companies working in the chip business. It has a vibrant and engaged business community and state and local governmental leaders who know the importance and economic benefit of the tech industry.

We believe that someday soon, everything in our world will possess intelligence and connectivity, changing our lives in fundamental and unexpected ways. And we are very pleased to be leading that transformation from our home in Texas.

www.freescale.com



Regional Centers of Innovation and Commercialization for research and development and encourages partnerships between the state, universities and private industry. It also offers matching grants for R&D projects and helps public universities attract top researchers.

"The Emerging Technology Program will help position Texas to be competitive in the high-stakes, high-tech economy of tomorrow," said Governor Perry at the June opening of a new research and development center in Plano. The center, a partnership between communications leaders Ericsson and Cingular Wireless, will bring an additional 400 jobs to the growing North Texas Telecom Corridor.

A POWERFUL PROSPERITY ENGINE

The Texas workforce has kept pace as the state's economy has diversified. In the past 10 years, the state has added 1.4 million new jobs. Texas now has the nation's third-largest pool of graduate scientists and second-largest pool of graduate engineers. Governor Perry has made the state's economic competitiveness a top priority, forging initiatives to enhance public education, job creation, legal reform, health care and transportation.

Expanding companies find it easy to recruit talent to Texas. The state's geographic variety, arts and cultural amenities and legendary sports teams are all part of the state's bragging rights. "I almost expected J.R. Ewing-style ranches and spreads everywhere," says The Home Depot's Kincade, who moved to Austin last year. "It's very metropolitan, diverse in terms of culture, and the cities are very friendly, with a small-town feel. I was very surprised."

"All the pieces for economic prosperity fit together in Texas like nowhere else," says Governor Perry. "We're wide open for business, and we continue to do what it takes so businesses can be successful in our great state."



Photo credit: Pat E



WEB DIRECTORY

FREESCALE SEMICONDUCTOR, INC.
www.freescale.com

GIRLING HEALTHCARE, INC.
www.girling.com

GREATER HOUSTON PARTNERSHIP
www.houston.org

ODESSA
www.odessatex.com

OFFICE OF THE GOVERNOR
ECONOMIC DEVELOPMENT & TOURISM
www.texaswideopenforbusiness.com

The Right Place

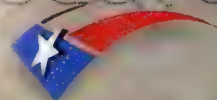
Now more than ever, Odessa, Texas is the right place for business. With free available land adjacent to Interstate 20, an international airport 10 minutes away, a Union Pacific Railroad switch station, and the US 385 Texas-Western Mexico Trade Route, Odessa has become the center for commerce in West Texas.

If you are thinking about building or relocating, take a long look at Odessa.

We're ready to go to work for you.
1-877-363-3772

The right place in Texas™

Odessa



www.odessatex.com/forbes



Gouging The Drug Companies

DRUGS SHOULD BE PRICED IN MUCH THE SAME WAY AS seats on a jumbo jet. The guy in the business suit pays \$1,000, the kid with the backpack sitting right next to him \$200. The suit pays for most of the fuel, the pilot and the \$200 million jet. The kid gets to fly for just a few dollars more than the cost of the extra fuel needed to haul his body and backpack. The 300 tons of fuselage and engine, and the fuel it takes to move them, are all free. For the kid.

This makes perfect economic sense. Any other pricing scheme would be less efficient. The economist, mathematician and philosopher Frank Ramsey proved this in 1927. The efficiency of "Ramsey pricing" has since emerged as one of the most profoundly important principles of our information-centered economic lives.

It is also routinely assailed by people in positions of economic authority. When airlines were still regulated, anti-Ramsey regulators sharply raised the average price of flying. We pay, on average, more than we should for electricity because utility commissions generally ignore Ramsey, or stand him on his head. And if current trends continue, the flat-pricers will kill our pharmaceutical industry.

Almost all the cost of a drug is in the development and the complex hardware required to concoct the chemicals that become the medicine. These costs are fixed, and they are sunk. Like the jet's fuselage, you pay for them once, up front, regardless. Once a drug is in production, churning out one more little pill costs next to nothing. You can almost give it away to the desperately poor in sub-Saharan Africa. Provided, of course, that somewhere else the suits pay billions. What Ramsey proved is that the most economically efficient way to set prices when producers have high fixed costs and low marginal costs is (roughly) to soak the rich. Set prices on a sliding scale. Charge the suits more, the jeans less. Ideally, you slice it a bit more finely than that. The best scheme all around, for sellers and buyers together, is to charge a wide range of wealth-adjusted prices covering the poorest to the richest consumers.

And that, pretty much, is exactly what smart vendors try to do. United Airlines finds ways to really squeeze the suit and collect just a few extra dollars from the backpacker, too. Microsoft has a business price, home price, student price and Third World price for Windows. GlaxoSmithkline does much the same with its AIDS

drugs. You pay a lot more in Kansas than you do in Kenya.

But then there are Canada, much of Europe, our very own Department of Veterans Affairs and our HMOs. All of them determined to make collective yes/no calls about which drugs to be bought, at what price, by very large groups of people. And flat-price collectives are now contriving to act in concert. The HMO tells the U.S. drug company it just won't let its patients pay more than a Canadian pays. If you live in Detroit, you have U.S. freedom of choice at Canada's choice-free prices by hopping on a Greyhound bus. If you're willing to shop online against the law, you can shop Canadian anywhere.

Drug-buying collectives and cartels have an unconditional negative impact on economic welfare. As they coalesce, they form drug manufacturers into price-regulated utilities. Such companies can go ahead and invest a billion to develop a new vaccine or drug. But just like your electric power company, you can see the product only at a price acceptable to Canada's minister of health

Microsoft has a business price and a Third World price for Windows. GlaxoSmithkline does the same with AIDS drugs.

maybe Kenya's. Yes, Merck and Pfizer have honestly earned their government-issued, fixed-price monopoly that we call a choice-free price. But when it tries to cash in on the store, it meets a government-established buyers' cartel on the other side of the counter.

Patent a miracle choreograph the pricing right and you recover your costs efficiently, earn a profit and move on to your next miracle. You can survive

the arrival of me-too generic competitors: They put an end to sunk-cost recovery only after the patent expires. Collective buying, however, imposes generic pricing from the get-go.

With so much of global health care spending now collected by drug companies have, perhaps inevitably, been sucked—into joining the system. They lobbied hard for prescription drugs covered by Medicare, and if they can't get their price, they quickly settle for Canada's. In the short term, this other strategy makes sense. In the long term it's ruinous.

When a rich American drug company voluntarily decides to charge impoverished Third World patients much less than it does comparatively rich Americans, this is good all around. It generates some marginal gross profit, thus making the medicine slightly cheaper for all, and it makes the world healthier all around. When rich people form buying cartels to put a price squeeze on properly patented drugs, the few win in the short term and one loses down the line.

Forbes

Peter Huber is executive vice president of ICx Tech, a fellow of the Manhattan Institute and coauthor of *The Bottomless Well* (Basic Books, January 2005). Visit his home page at www.forbes.com/huber.

Please turn the page for our special gatefold: Beyond the Balance Sheet

ed in the program
also required to
aining as any other
o pay house call
ents"; they have to
ult course and ex
os. Double agent
her ideas and com
st out of a home
Perhaps Best Bu
ng the money it s

KNOW

ch year Training m
at it feels do the be
aining relative to the
ine's top 100 list ea
oor market in rece
ricia Galagan at th
s bad, the employ

company

FIZER

LA-TENCOR

ITEL

FLAC

CAPITAL ONE FINA

OCKHEED MARTIN

LSTATE

G EDWARDS

LTEL

UALCOMM

s as of Nov. 11. 'Thre
ces: The companies;

Forbes
com BE

ANIES FIT

gement Health Care Talent & Organizational Change

Hewitt

www.hewitt.com/results



Mentoring RAL MILLS

Mills every new employee has the opportunity
ntor whom he or she may shadow for a day.
se tutor-student relationships last for years. The
so has co-mentoring programs among senior-
yees so that managers can share leadership
two must meet at least once a month for 18
e \$11 billion food processor has a mere 5%
te at its Minnesota headquarters. One success
Starkey, who has been mentored for almost a
someone he met in a summer camp for new
l the company in 1996 as an entry-level man-
now a marketing director.

Educ

Ga

The lat
gap." E
noticin

EASI
I've
syr
ver
toc

before an a
emics, four
in think t
and others
education
the kickoff
zation wit
Campaign
calls itself
college.")

The ec
here has
nents. One
prime objec
tional polic
nate the "g
gap"—the
what's lea
by disadv
and what's
middle- an
kids. The ot
the notion
would be m
if only we
resources t
tion sector.

Pursuit
Henry M.
fessor of ec
education
College, a
op-ed piec
York Time
shortly afte

Apology 101

Best preposterous idea in educationland is "closing the achievement gap" that it can't possibly succeed | By Dan Seligman

THE STRANGEST MEETING

I attended this year was a symposium at Columbia University's Teachers College that took place on Oct. 24 and 25. The audience of maybe 550 academics, bureaucrats, toilers, bankers, government officials, and those who make a living off the education sector. The symposium was an event of an activist organization within the college called the Center for Educational Equity. (It is the "action arm of the

equity theme of two components is that the active of educational equity is to eliminate the achievement gap between the advantaged kids and the disadvantaged kids learned by the upper-class element is that the U.S. is much better off devoted more to the education of every-

Fig the latter, Levin, a proponent of economics and at Teachers College argued in an article in the New York Times appearing at the symposium.

symposium that immense gains are to be had from keeping underachievers in school. High school dropouts, he noted, earn \$260,000 less over the course of their lives than do high school graduates. But it is wildly unrealistic to assume that the students who drop out would earn as much as those who graduate if only they had hung around for four years—an assumption ignoring tons of evidence that the dropouts are a population with trouble hanging on to jobs and have lower ability levels. The data tell us that the average dropout has an IQ that puts him at around the fifteenth percentile

of those who graduate. Not exactly what employers are looking for.

The achievement-gap angle has been incorporated in the "mission statement" of the college, which now includes this declaration: "Teachers College is dedicated to promoting equity and excellence in education and overcoming the gap in ... achievement between the most and least advantaged groups in this country." In his opening remarks at the symposium, TC President Arthur Levine proclaimed that he and his colleagues were now focusing all their resources on this one issue. Other speakers repeatedly



fig 1.



fig 2.

NEUBERGER

**People told Columbus
the world was flat.**

He didn't insist it was round.

He got in a boat. People will tell

you there is only one choice for

your enterprise network solutions.

We're not telling you to insist

they're wrong. Simply give

our intelligent network solutions

a look. Decide for yourself.



security
VoIP
wireless
switching
routing
services

3com.com/AdvanceTheNetwork

INTRODUCING LOGISTICS @ Forbes.com



Logistics executives in particular are on a never-ending quest to learn new and better ways to save their businesses time and money through more effective management processes. It is for this reason that Forbes.com recently launched a brand-new section devoted to the business of Logistics, edited by renowned logistics expert Robert Malone. The new section, launched on September 21, 2005, is an essential online resource for those who seek information on a range of issues such as balanced inventory, reliable procurement, managed product returns, security issues in worldwide transportation, global and federal compliance requirements, outsourcing and more.

Visit the new Logistics Section at
www.forbes.com/logistics



Education

referred to the gap as both a moral outrage and an economic disaster. It would have been hard to find a member of the audience not in total agreement with these preachings.

What's so strange about all this? Just one little thing: It is not possible to close the achievement gap. The mission statement is a summons to a fool's errand. The reason that the gap will never be eliminated is that intelligence rises with socioeconomic status. Estimated correlations between social class and IQ range from 0.3 to 0.7 (on a scale where 0 means no connection and 1 describes two variables marching in lockstep). Those figures tell us that the poor and disadvantaged have less cognitive ability than those from higher-status families. Cognitive ability predicts scores on achievement tests.

In partial defense of the 550 educators murmuring approval of TC's mission statement, it must be said that they are not alone in failing to understand that the gap cannot be closed. Harvard, too, has an Achievement Gap Initiative, run by Ronald F. Ferguson of the Kennedy School of Government. (Ferguson was a speaker at the symposium.) Brown University's Annenberg Institute for School Reform is also committed to fighting the gap. And, of course, the federal No Child Left Behind program, which became law in 2001, claims to be doing likewise and on a much larger scale. The objective of the federal law, wildly unrealistic but carved in legislative stone, is to get all American children up to a "proficient" level in reading and math by 2014.

Absolutely nothing has happened to suggest that the federal government will succeed in this effort, and a few brave educators are beginning to say out loud that the cause is hopeless. William J. Mathis, writing in a recent issue of the *Phi Delta Kappan*, compares current plans for closing the gap between poor and middle-class kids to "an exercise in ritualistic magic."

It is perhaps natural for professional educators contemplating the gap to concentrate on teaching ability—on what schools can deliver—but learning is a joint venture. It also depends on what students are capable of assimilating. Everyone hits a brick wall at some point. With some students it may not happen until they are exposed to quantum mechanics. With others it happens with long division. Most students are well inside those two extremes, but the fact remains that disadvantaged

How could the leaders of Teachers College commit themselves to an enterprise guaranteed to fail?

students hit the wall earlier and learn less.

Which brings us to the ultimate mystery about the educational equity campaign. How could the leaders of Teachers College commit themselves to an enterprise guaranteed to fail? It turns out (surprise!) that they don't think it will fail. I asked President Levine how the achievement gap could be closed, given the evident gap in learning ability, and received a spirited reply that boiled down to the argument that IQ doesn't matter in achievement. He said in a telephone interview: "Your assumption that one group has higher learning ability than the other—there's no evidence that that's the case."

I also spoke with Michael Rebell, executive director of the Campaign for Educational Equity. He was recruited by Teachers College after mounting a monumental lawsuit that, after 12 years in the courts, has won a verdict (still being appealed by the state) providing for additional outlays of \$5.6 billion for public education in New York City. Asked about the IQ dimension of the problem, Rebell was also dismissive: "I'm skeptical of all the attention going to that area."

Another TC symposium is scheduled for next fall.

IT'S SURPRISING HOW ONTARIO
CAN BE SO CLOSE TO THE CENTER
OF NORTH AMERICA,
AND YET SO FAR IN FRONT.

ONTARIO
CANADA

ARRIVALS

Siemens	07:00
Goodrich	08:15
HP	08:45
Placer Dome	09:05
BASF	10:15
Honeywell Automation Systems	10:20
Boehringer Ingelheim	12:00
Philips Electronics	12:05
Messier-Dowty	13:00
Goldcorp	14:30
DIG	15:00
General Mills	15:00
Cognos	15:00
Kuntz Electroplating	15:00
Newmont	15:00
Lucent Technologies	15:00

1,500 multinational companies operate in Ontario, because Ontario is one of the best places in the world to do business. With a skilled, well-educated workforce, competitive business costs and a reliable infrastructure, Ontario's economy is predicted to grow faster than any of the G7 countries. It's no surprise companies from diverse industries like Toyota, Lucent and Siemens have chosen Ontario. To find out how you can benefit, just call or visit our website.

One of the best educated workforces in the world

Easy access to the U.S. through a transportation infrastructure among the best in the world

Cost-effective, publicly funded universal health-care

R&D tax credits are among the most generous anywhere

Among the most competitive business costs of the G7 nations

2ontario.com 
1 800 819 8701

Anticipation

FUJIFILM RDPIII 04381 CHCECT AL



WILLIAM JOHNSON, THE sixth chief executive in the 136-year history of ketchup king H.J. Heinz, loves to toss around sports quips, spicing his speech with quips from baseball legend Paul (Bear) Bryant, Yankees manager Joe Torre and UCLA basketball coach John Wooden. His favorite, from a book by Woodrow Wilson: "Although there is no progress without change, not all change is progress."

Since taking over in 1998, Johnson, 56, has made a lot of changes at Heinz—but very little progress. Heinz's stock price has gone nowhere since 2000; its net income has yo-yoed wildly in that time, and it fell 7% last year. Sales growth has crept

Shareholders have waited all too long for **William Johnson** to fix the focus at Heinz. He promises one saucy turnaround | By Monte Burke

BE A BULL. BE A BEAR.

JUST DON'T BE A SHEEP.

	E*TRADE SECURITIES	YOUR BROKERAGE
LOWEST COST STOCK INDEX FUNDS ¹	YES	?
EXCLUSIVE ALL-STAR LIST OF LEADING MUTUAL FUNDS ²	YES	?
FREE EXCLUSIVE CASH OPTIMIZER ³	YES	?
\$6.99-\$9.99 TRADE PRICING FOR ACTIVE TRADERS ⁴	YES	?

4.10% APY

E*TRADE Bank
Money Market Account
for three full months⁵

Challenge the ordinary.

Be E*traordinary



E*TRADE
FINANCIAL

Call 1-800-398-7854 or visit etrade.com/switchtoday

should consider the investment objectives, risk, charges, and expenses of a mutual fund carefully before investing. The fund's prospectus contains this other important information. For a current prospectus, please visit etrade.com/mutualfunds. Read the prospectus carefully before investing.

¹Important information and details about the lowest-cost E*TRADE Index Funds, please visit etrade.com/mutualfunds. As commissioned by E*TRADE Asset Management, Inc., we determined that the E*TRADE Index Funds had the lowest effective expenses as of October 3, 2005 by comparing them to other Pure Index Funds in the same Lipper Investment Classification/objective, while excluding institutional and other mutual funds requiring minimum investments of \$100,000 or more and exchange-traded funds. The E*TRADE Index Funds have the lowest expenses because they are contractually limited through April 30, 2006. There is no assurance that the expense limits will continue beyond April 30, 2006.

²Funds selected for the All-Star List are selected from the no-load, no-transaction fee mutual funds offered through E*TRADE Securities.

³Intelligent Cash Optimizer is a unique, dynamic cash management modeling tool that illustrates the earnings potential for uninvested cash and is available to all customers with \$100 or more in combined E*TRADE Securities and E*TRADE Bank accounts assets or who make 10 or more stock and options trades per month (average 30 per quarter).

⁴To qualify for \$6.99 stock and options commissions and \$0.75 fee per options contract, you must execute 500 or more stock or options trades per month. To qualify for \$7.99 stock and options commissions and \$0.75 fee per options contract, you must execute 50 - 499 stock or options trades per month. To qualify for \$9.99 stock and options commissions and \$0.75 fee per options contract, you must execute 10 - 49 stock or options trades per month or maintain a balance of \$50,000 or more in combined E*TRADE Securities and E*TRADE Bank accounts or new E*TRADE Money Market Account customers and for existing Money Market Account customers who transfer at least \$25,000 in new funds from an external (i.e., non-E*TRADE) account into their existing E*TRADE Money Market Account. E*TRADE Bank retains the right to withdraw the 4.10% introductory APY from any account at any time if these conditions are not met. Offer applies to one new account per customer. A \$100 minimum deposit is required to open a new E*TRADE Money Market Account and account holders must maintain a minimum average monthly balance of \$1,000, or \$5,000 in total E*TRADE Bank deposits, by the end of their second statement cycle to avoid a \$10 monthly fee. This fee is waived for customers who make 10 or more stock or options trades per month (30 per quarter) or who maintain at least \$50,000 in combined E*TRADE Securities and E*TRADE Bank accounts. A \$10 early closeout fee will be assessed if account is closed within 120 days of opening.

⁵During the 90-day introductory period, customers will receive the current APY based on account balance. Current as of 10/28/05, accounts with balances of \$100,000 or more earn 3.25%; accounts with \$50,000 - \$99,999 earn 2.50%; those with \$5,000 - \$49,999 earn 2.50% and those with less than \$5,000 earn .30%. For example, if an account is opened with \$5,000 and the introductory offer is a 4.10% APY for 90 days, account will yield 4.10% for 90 days. For balances of \$5,000 - \$49,999, the current yield for the nonintroductory period is 2.50%. Therefore, the introductory APY for the first year after account opening is 2.89%. APY is subject to change daily and fees will reduce earnings.

⁶Bank deposits and services offered by E*TRADE Bank, a federal savings bank, Member FDIC, or its subsidiaries. Bank deposits are FDIC insured up to \$100,000. Securities and services offered by E*TRADE Securities LLC, Member NASD/SIPC, are not insured by the FDIC, are not guaranteed deposits or obligations of E*TRADE Bank, and are subject to investment risk, including possible loss of principal invested. E*TRADE Bank and E*TRADE Securities are separate but affiliated companies.

© 2005 E*TRADE FINANCIAL Corp. All rights reserved.

Member
FDIC

along at 1.3% a year since 2002, by some estimates, after stripping out acquisitions and currency benefits.

"It has been nothing but one disappointment after another," complains analyst William Leach of Neuberger Berman, which owns 90,000 Heinz shares. Nine of the 14 sell-side analysts who follow Heinz give it a lukewarm "hold" or an outright "sell" rating. One big institutional holder, Deutsche Bank, cut its position in Heinz by 12 million shares, 80% of its holdings.

But Johnson says Heinz is on the mend with a sharpened focus on its staple: ketchup—"the soul of the company," he says—and condiments and sauces. He is shedding other operations to buy local ketchup and sauce brands in Russia, the U.K. and elsewhere. And Johnson wants to get consumers in North America to slather ketchup far beyond the burger.

This amounts to playing catch-up in ketchup. But the tomatoey standby actually continues to enjoy mass appeal, even as a nation of beef-eaters turned to chicken, fish and the ubiquitous wrap. It survived exaggerated reports of its demise at the hands of its sexier doppelgänger: salsa. (In the U.S. 10 billion ounces of ketchup are sold each year. Salsa: 4 billion.)

Johnson says he uses ketchup on nearly everything he eats, making ketchup sandwiches and pouring the stuff on mashed potatoes, broccoli and even his wife's Thanksgiving turkey. (It took a while, but she finally got used to this.)

"In Sweden people put ketchup on their pasta. And in Russia they put it on their eggs," he says with an earnest hopefulness. In the U.S., by contrast, only 4% of people use ketchup on their eggs. Heinz is waging a new ad blitz urging people to add it to meatloaf and is encouraging its food-service partners, like Chili's, to use it in recipes for fish and chicken. The company wants Americans to lust after ketchup so much that they will buy it in one of the bulky 64-ounce bottles insiders have nicknamed "the Hummer," which will debut next year.

Heinz has made a barely noticed but remarkable leap in its share of the North American ketchup market, from 47% to 60% since Johnson took charge in 1998. This market-share surge in a business

known for glacial progress owes mainly to product innovations like colored ketchups (purple, pink, blue) and plastic squeeze bottles (see box, p. 128).

To get back to basics, Heinz is undergoing a sweeping restructuring—its third in six years—this one aimed at stripping Heinz of businesses with \$1.5 billion in annual sales (17% of total revenue). In two previous overhauls Heinz took a total of \$1 billion in aftertax charges to shed such unwanted distractions as Weight Watchers. The latest plan, unwrapped in September, will spark a \$100 million charge in the next year.

But this face-lift could set up a prettier, slimmed-down Heinz for an outright sale to a supergiant such as Kraft Foods, with annual sales of \$32 billion, or, say, Unilever, with \$52 billion. Heinz is a bantamweight at less than \$9 billion, but it has great brands like Ore-Ida potatoes and Classico pasta sauces. With a market cap of \$12 billion, it is valued at 18 times what it earned in the past year; Wrigley, by contrast, trades at 29 times earnings.

Johnson doesn't fret over such matters. "We have to be the best we can be and let everything else fall out as it may," he says, sounding like a coach. But he knows he is living his own sports cliché: fourth and long, bottom of the ninth, one last shot at the buzzer. (Business writers love sports clichés, too.) "I bet my career every day I come to work," he says, "and I'm betting that this plan fundamentally finishes the transformation of the company and makes us the best in the industry."

Henry J. Heinz founded the company in 1869, with the goal of making cooking less onerous. He first bottled horseradish, then ketchup in 1876. Family members lorded over the company for three generations and 118 years, until Johnson's celebrated predecessor, Anthony O'Reilly, added the chairman title in 1987, eight years after he became chief executive.

O'Reilly expanded Heinz from 22

countries to 39 and made some 40 acquisitions at a total cost of \$3.6 billion. He ventured far beyond mainstays, selling talcum powder in India, margarine in South Korea and fashion eyewear in Italy. Under O'Reilly, Heinz's market cap rose from \$900 million in 1979 to \$15 billion in 1998, one and a half times the growth of the Dow for the same period. Total revenue grew a compound 7.2% per year, as net rose 11%.

And the Irish O'Reilly, a former rugby player, did it with panache. He hosted lavish parties at his mansion in Ireland. He supported the arts and dallied in a few side businesses; he's still the largest shareholder of Independent News & Media, a leading Irish newspaper company. His lower-key successor lacks O'Reilly's flair. When O'Reilly went out, he "would only go to the white-tablecloth places," says Michael Milone, a 25-year veteran who runs most of Heinz's global operation. "If Bill Johnson was going out to check on our products, he'd eat at a fast-food restaurant." O'Reilly rode to on-site visits in a limo; Johnson

rides shotgun in a delivery van.

Johnson's father, Bill (Tiger) Johnson, was a coach for pro football's Cincinnati Bengals. "It's a very black-and-white existence when you grow up in a coach's family. You either won or you lost," Johnson says. His stomach got queasy before every one of his dad's games.

The son never played football ("I didn't want to be compared to my dad"), and instead studied political science at UCLA and got an M.B.A. at the University of Texas. He joined Heinz at age 33 in 1982 as a marketing manager for new business.

In 1987 O'Reilly tapped him to run the troubled pet division, whose share of cat food, once 45%, tumbled all the way to 15%. "I felt like I was being sent to Siberia," he says. He fired management, cut costs to accommodate a price-obsessed market and increased profits from \$53 million to \$230 million in seven years. Ca-

"I bet my career every day ... and I'm betting this plan makes us the best in the industry."

SAS SOFTWARE FOR
BUSINESS INTELLIGENCE AND ETC.

SAS BUSINESS INTELLIGENCE

The Power to Know. why other BI vendors have arrived too late.

WANT PROOF?

Check out our Web site
to learn why analysts
and customers agree:

SAS Business Intelligence
is fast, simple, consistent
and accurate.

While other vendors are playing catch-up — by just now introducing their BI approaches — SAS continues to lead the way in the business intelligence market. When you consider investing in or upgrading your current BI software, talk to SAS about our proven successes.

- Unmatched Enterprise Intelligence Platform
- Nearly 30 years of BI experience
- Undisputed leader in business analytics
- More than 4 million users at over 40,000 locations worldwide
- At work in 94% of FORTUNE Global 500® companies

go Beyond BI www.sas.com/beyondBI analyst case study

SAS⁹

 **sas**[®]

**THE
POWER
TO KNOW**

food share recovered to 28%.

That turnaround earned Johnson a promotion to president in 1996. By the time O'Reilly handed his job to Johnson two years later, Heinz was an unfocused mishmash. Lame brands were allowed to fester on shelves, and each country manager was buying his own size bottle of ketchup.

Johnson set out to fix things, uncomfortable that his mentor stayed on as a nonexecutive chairman for two and a half years, still attending every board meeting. "It was unpleasant at times," says Johnson, "and it slowed down the decision-making process."

O'Reilly declined to comment on the handoff of power but emphasizes that he is still a major shareholder and says, "I have complete confidence in Bill as CEO."

In 1999 Johnson launched "Operation Excel," shutting down 20 factories and selling the Weight Watchers business to better focus on foodstuffs—ketchups, condiments, sauces, canned tuna and jarred and frozen vegetables. Johnson cut the number of SKUs (stock-keeping units) worldwide from 36,000 to 16,000. More slimming-down came in 2002, when Johnson spun off his old pet food business (9 Lives, Kibbles 'n Bits), StarKist tuna, infant foods and store-brand soups into a new company and handed it to Del Monte.

But Wall Street yawned, and the stock pretty much went nowhere. "It's a shell game," says Leach of Neuberger Berman. "They restate earnings downward. Then when they grow back to where they were, they pretend it's progress. But it's not."

Johnson insists his latest renovation will set Heinz right. Europe in particular needed fixing. Private-label pressure, from Tesco in vegetables and ASDA in tuna, has eaten into Heinz's profits in these categories, where consumers shop on price. "We can't command the premium in these categories that we do in ketchups," says Joseph Jimenez, who heads Heinz Europe.

So Heinz is dumping those businesses. In October it sold its European prepared-vegetable group to NPM, a Dutch private equity group. Next up: the European frozen-food and tuna businesses and Tegel, a New Zealand poultry producer. All told, Heinz's noncore businesses will be reduced



Heinz's Hallmarks

1876—First bottle, with cork top.

1906—With Pure Food & Drug Act the modern food-processing industry is born.

1960—Single-serve packet introduced.

1983—Squeezable plastic bottle.

1995—A Harvard study says the lycopene in tomatoes may inhibit prostate cancer. Heinz puts the info on bottles.

1998—Opaque red restaurant bottle; it always looks full. A new safety cap stops waiters from pouring in rivals' ketchup.

2000—Green ketchup introduced.

Then: purple, pink, teal, orange, blue.

2002—Upside-down plastic Easy Squeeze bottle hits the shelves.

The Future—64-ounce "Hummer-of-ketchups" bottle designed for the fridge door.

from 20% of revenue to 8% by 2008, and sales outside the U.S., now at 60% of Heinz's total, will be halved; North American sales will make up 50%, up from 42%.

The sales will free time and resources to pursue Heinz's strengths. In May the company bought a majority stake in Petrosoyuz, the second-largest maker of ketchup in Russia. Johnson hopes to win big business from McDonald's outlets

there, where ketchup is more tomatoey and less spicy. Around the world, in fact, local versions of ketchup are generally sweeter than in the U.S., where Americans like it tart; in the Philippines Heinz makes ketchup from bananas. (It's still red, though.)

In August Heinz made the largest acquisition in its history, paying \$820 million for HP, the British maker of Lea & Perrin's Worcestershire sauce, in a kind of cocktail-sauce-synergy. In India Heinz is introducing what it says is the first nationwide line of commercial chutneys.

Back home in Pittsburgh, Heinz in September opened its first central research lab at the Innovation Center, just north of the city in Marshall Township, Pa. There a hundred food scientists watch consumers trying new products through two-way mirrors; they also isolate food pathogens in a microbiology lab and drop and shake boxes of bottles to find ways to cut down on shipping breakage rates. A testing room uses lights that render food samples monochromatic so testers concentrate only on taste.

Researchers also work on refining the breeding, processing and taste of the all-important tomato. New seed hybrids will produce fruit redder in color and higher in sugar and lycopene, an antioxidant that may prevent prostate cancer. They try cooking ketchups in different ways, using dry spice blends or oil-based ones. "Very few people are allowed to know the exact recipe," says the chief technical officer, Kerr Dow.

Ketchup ignites the palate as one of the few foods to stimulate all five sensations inside the mouth: salty, sweet, sour, bitter and umami, the latter of which gives body to food and is the savory taste found in cured meat and MSG. It's inexpensive, thus easily mass-marketed, and is controlled by the food eater, not the food preparer. Not bad for a condiment that was originally used to mask rotting food.

But can a company thrive on an all-ketchup diet? The company's single largest shareholder, Capital Research & Management, with 52 million shares, recently added 3 million more. "We're playing to our strengths, like the Steelers do with the defense," Johnson says, reverting to *Sports Center* mode. "The return will come." ■

When it comes to
corporate social responsibility,
what's good for society is good for business.

LESSONS FROM THE BOTTOM LINE

Never before has corporate social responsibility
been so relevant, not only to business
sectors, but to people everywhere.



Written by Curtis Rist
Produced by Bob Grossman

One glance at the news reveals the turbulent era in which we live. The burgeoning cost of oil highlights an increasing awareness of petroleum's limits. Environmental realities, ranging from the short-term effects of the damage wrought by hurricanes and earthquakes to the longer-term consequences of pollution and global warming, heighten awareness of the impact that humans have on the planet — and vice versa. The steady growth of consumer

economies, particularly in China and India, points to a sharp increase in demand for the world's scarce resources. And a growing connectivity through the Internet and mobile communications has raised the bar for what qualifies a company as a good corporate citizen.

For companies that stand still and adhere to existing business models, this is indeed a perilous age. However, for those that take a preemptive stance and work to create new



production models and new products in a spirit of corporate social responsibility (CSR), this is an age of opportunity.

Responsibility Meets Profitability

Leading corporations are developing integrated approaches to what once were considered separate disciplines. In addition, socially responsible investment funds are garnering a significant and fast-growing percentage of investments. Investors are not drawn to these funds merely because of a company's leadership in CSR; they are drawn to these funds because they frequently outperform other leading stock indexes.

In the past, the concept of CSR focused on limiting a company's profit-making opportunities, rather than capitalizing on them in order to help create an era of economic growth, ecological balance and social progress. Today, however, the view of CSR has broadened to include not only the need for making a profit, but also the need for consultation and partnership among the many parties involved. What has emerged is a sense that decisions made with CSR in mind are those that consider more than just the fate of a corporation's bottom line. Instead, they must take into account a vast array of factors, including the world's limited resources as well as the impact of these decisions on the people and cultures in a particular region.

Where CSR is a priority, companies must weigh everything when considering development, including how to mitigate its environmental, social and economic impact.

Companies must practice sustainable development to create a world at greater harmony with itself — in contrast to the fractious state of affairs that is now common. The exact combination of factors will vary from company to company and from case to case. Instead of relying on a blanket prescription, each manager must be creative in ways that benefit not just the company, but customers, the community and the world.

CSR now encompasses some of the most pressing business, social and environmental issues on the planet. These include concerns such as reducing pollution, as well as limiting water and energy usage. The term can also be expanded to include problems such as slave and child labor, as well as how to finance small entrepreneurs in developing nations. While these problems are extremely important at present, they take on an added urgency with the continuing population and economic growth. The world population will increase by some 3 billion people over the next half-century, with nine out of ten people living in developing economies, according to a United Nations report. Combined with this population growth is a rapid increase in the number of market-based democracies,

and the growing global influence in Asia alone of "3 billion new capitalists," observes Clyde Prestowitz, founder and president of the Economic Strategy Institute, a Washington,

Where CSR is a priority, companies must weigh everything when considering development, including how to mitigate its environmental, social and economic impact.

(Continued on page 4)



MOTOROLA:

Connecting the Unconnected

Half of the world's population has *never* made a phone call. But just imagine what will happen as Motorola brings mobile communication to the doorstep of more people around the world.

For the first time ...

a farmer can connect with potential buyers to determine the best selling price for his crops.

a nurse can connect with other health care workers to identify cures for local diseases.

a small-business owner can connect with new suppliers to strengthen his product line.

a mother can connect with a support network to rebuild her home and village following a natural disaster.

Mobile communication opens the door to opportunity in developing nations — fueling economic growth and social change. In fact, research suggests that an increase of 10 mobile phones per hundred people boosts gross domestic product growth by 0.6% for a typical developing nation.

Today, 80% of the world's population has wireless access, but only 25% use it — primarily due to high costs, according to the GSM Association, a global trade organization for GSM mobile phone operators.

This group has chosen Motorola to serve as the sole handset supplier in its Emerging Market Handset Program to advance social and economic development of markets like India, South Africa, Russia, Egypt, the Philippines and Indonesia.

Bridging the digital divide is measured by more than just cell phones. Motorola believes it can make the biggest impact by combining the power of communication technology with the power of education.

Since 1994, Motorola has worked with Project Hope in China to help more than 13,000 children attend school through teacher training, scholarships, new libraries,

multimedia language labs and schools. Eighty Motorola Hope Schools in 23 Chinese provinces bring compelling learning experiences to underserved areas.

In Chicago, Motorola's support of the Academy for Urban School Leadership is strengthening math and science achievement in public schools. Mid-career teachers attend intensive, one-year resident training and receive a master's degree in education before returning to the classroom as Motorola Math and Science Teachers.



South African students participate in the Ulwazi e-learning project, which addresses teacher shortages in underserved areas. Their interactive virtual classroom is made possible by the Motorola Canopy™ wireless broadband system.

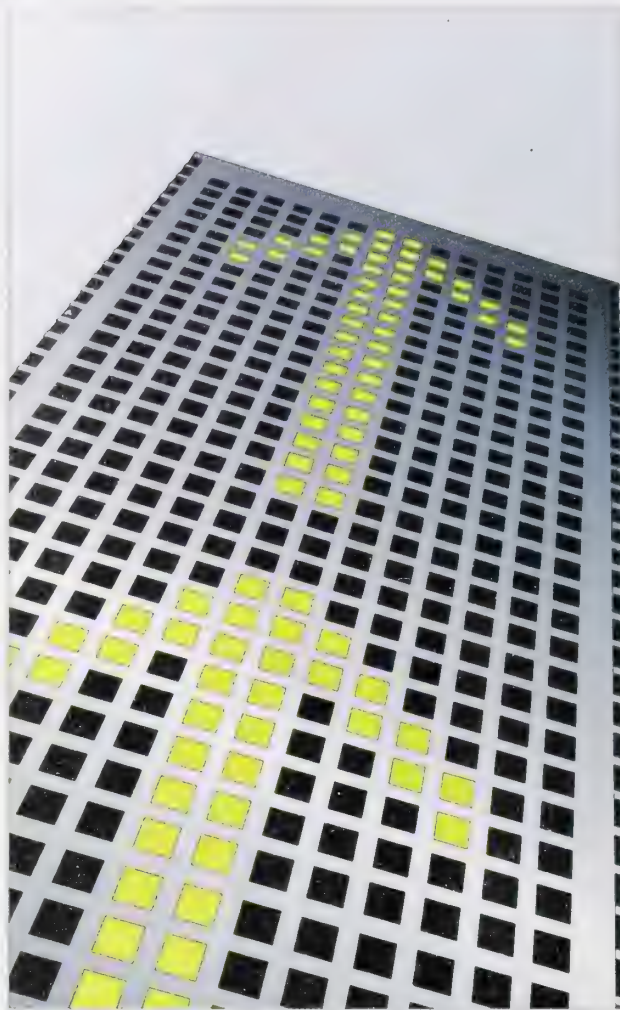
For 11 years, Motorola employees have coached and mentored students working to solve engineering design challenges through the FIRST Robotics and FIRST LEGO League competitions. The competitions show students that technology fields hold vast opportunities and that science, math, engineering and invention can be exciting. Motorola has hired 18 former FIRST participants as employees.

For 77 years, Motorola has celebrated the breakthrough idea — and has never stopped envisioning the world as a better place.

To learn more, visit www.motorola.com/citizenship/reports.



MOTOROLA



(Continued from page 2)

D.C., think tank, and author of *Three Billion New Capitalists: The Great Shift of Wealth and Power to the East*. This vast market has created an unceasing need for food, health care, education and jobs, along with countless products and services. For companies, this market presents unparalleled opportunities, as well as enormous risks. While current CSR strategies may be sufficient, most have not accounted for the worldwide surge in development.

No one approach is going to solve everything. Instead, it will be the accumulated achievements of individual companies, magnified across the globe, that will ultimately make a lasting difference.

Prestige Through Progress

Of all the pressing issues that must be addressed through individual corporate actions, preservation of the environment has emerged as perhaps the biggest for the 21st century. There is no single solution for safeguarding the

CSR leaders in the corporate sector are gaining recognition in a number of ways, from awards to high rankings in socially responsible investment indexes.

environment. The answers will lie in the implementation of a spectrum of changes and innovations. Already, companies have made multiple advances that address aspects of the larger problem while generating revenue.

These include progress in:

- Energy efficiency
- Waste reduction and waste management
- Water conservation
- Pollution reduction
- Greenhouse gas reduction
- Innovative technologies
- Worker safety

By excelling in responsible policies and procedures, corporations can enhance their credibility in ways that allow them to demonstrate environmental and social stewardship, showcase valuable new technologies and processes, and urge others to follow their lead.

Reputation and brand value take a great deal of time to achieve, and today CSR leaders in the corporate sector are gaining recognition in a number of ways, from awards to high rankings in socially responsible investment indexes. The value of being a high-profile leader in this area is tangible, and one that companies should seriously consider.

By making a difference today, a company can magnify its importance — as well as its shareholder value — tomorrow. ■

Web Directory

Cargill www.cargill.com

Motorola www.motorola.com



When you do business in more than 60 countries, you learn the value of diversity.

Each day Cargill does business in food, nutrition, agriculture and supply chain management. With more than 100,000 employees in 60 countries around the world, our work in such diverse communities has made us very aware of the importance of diversity. We've learned that no one has a monopoly on good ideas and that they can come from anyone, anywhere. We're committed to employee and supplier diversity because we know it adds value to what we do for our customers ... as well as promoting prosperity in communities everywhere. For more information, visit Cargill.com

Cargill

Nourishing Ideas. Nourishing People.™

www.cargill.com

© 2005 Cargill, Incorporated

Tax That Fellow Behind The Drill

POLITICAL FROTHING AT BIG OIL'S THIRD-QUARTER profits—a combined \$33 billion for the five largest firms in the U.S.—set a familiar Washington stage: chief executives in the dock at a Senate committee hearing in early November, the fulminating solons to their front, T-shirted protesters (“Expose Exxon!”) to the rear. On Nov. 15 the Senate Finance Committee voted to slap a \$5 billion surtax on oil companies.

That’s par for the course in oil drilling and mining. If you drill a dry hole, the money you lost was yours. If you make money, the government declares that it is a windfall and snatches it.

The classic theft occurred during the Bolshevik Revolution in 1917, when the new Soviet government nationalized the Russian assets of foreign oil producers, including Royal Dutch/Shell and Sweden’s Nobel Brothers. Two decades later Mexican President Lázaro Cárdenas did the same thing, grabbing the assets of the 17 foreign oil companies in Mexico. In time the U.S. government persuaded the Mexicans to pay \$130 million in compensation for the confiscation, but oil companies thought the sum was inadequate.

Mineral extractors are easy expropriation targets, too. In 1968 President Mobutu Sese Seko of Zaire (now the Democratic Republic of the Congo) took over Belgian diamond-mining firm Sibeka’s operations there. (A decade later he returned 20% of the company.) That might have some connection to the fact that Mobutu, before he was finally run off in 1997, reportedly pocketed \$4 billion. In 1969 Zambia’s president, Kenneth Kaunda,

Here’s how governments around the world extract money from the ground. They wait until someone has sunk a large sum of money into an oil well or mine, then change the tax rules | By Kerry A. Dolan

1917

The Soviet nationalizes foreign oil companies following the Bolshevik Revolution in Russia.



1938

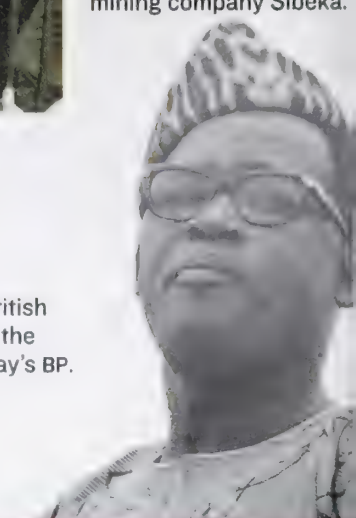
Mexican President Lázaro Cárdenas seizes 17 foreign oil companies operating in Mexico. Later the government pays \$130 million in compensation.

1968

Zaire’s president, Mobutu Sese Seko, takes over Miba, a subsidiary of Belgian mining company Sibeka.

1951

Iran nationalizes British firm Anglo-Iranian, the predecessor of today’s BP.



re of a good old-fashioned socialist, nationalized Anglo American's copper mines, some of the best in the world at the time. Following years of poor management and declining production, Anglo American repurchased the Zambian mines in 2000 for \$1 billion—only to pull out two years later, because the mines were in such bad condition they could not be salvaged.

Governments haven't gotten less grabby, though most are less blatant. As oil prices rose from \$10 a barrel in 1999 to a peak of \$57, 20 countries have changed their fiscal regimes to increase the government take from energy companies, according to a report by Graham Kellas at energy consultant Wood Mackenzie. The majority of countries made changes that apply to future licenses and production, thus giving the ExxonMobils of the world a chance to opt out. But Kellas identified eight instances in which the new higher taxes, royalties or export duties affect existing production. In other words, they changed the rules after the cards had been dealt.

"If you're an oil company, you go where the oil is," sighs Roger Tissot, a director at PFC Energy. "The location is decided by geology, and you have to deal with the political risk."

Some of the biggest rule-changing has gone on in Venezuela, the world's fifth-largest net exporter of oil, under the direction of "Bolivarian" socialist President Hugo Chávez. In June the country's state-owned oil company raised the royalties it collects on other companies' wells. For some existing production the royalty went from 16% to 30%. The legislature joined in by jack-up income taxes on oil producers from 34% to 50%—and

applied the tax retroactively. Only a few companies have made a stink about the changes. ExxonMobil is reported to be seeking arbitration; its only comment now is that the company "wishes to explore an amicable resolution." Total of France, one of the largest foreign investors in Venezuela, has paid the higher royalties under protest but has so far balked on paying back taxes, as have most of the other big oil companies. Big Oil is likely to acquiesce to Venezuela's demands as long as oil prices remain high and their operations profitable.

Meanwhile, in mostly free-market Chile (now governed by a left-center coalition), the approach is only different in tone. This past May Chile approved a tax on copper production that ranges from 0.5% to 5% of operating profits, depending on the amount produced. It's likely to reduce earnings a mere 1% or 2% at Chilean mining group Antofagasta Plc. Even where the nick on a company is seemingly slight, the overall bounty to the state can be high.

Another banana republic when it comes to taxes on extractive industries is the United Kingdom. In 2002 it raised the tax on oil profits from 30% to 40% for companies operating in the North Sea. This change came after the industry had sunk \$300

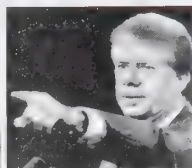
A Tale of Greedy Governments

From the Soviets in 1917 through Libya's Muammar Qaddafi, governments have seized some promising natural resource assets, then tended to mismanage or even mothball them. More recently strongmen like Venezuela's Hugo Chávez leave the risk with the private operators but demand a bigger slice of profits as commodity prices rise.



1979

President Jimmy Carter imposes a windfall tax on oil profits. Raises a net \$40 billion (and imports) till repealed in 1988.



1969

President Kenneth Kaunda of Zambia nationalizes Anglo American's thriving copper mines.



2002

U.K. hikes tax on profits of oil companies operating in the North Sea from 30% to 40%.

2005

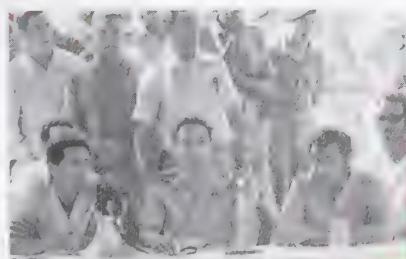
Venezuela hikes royalties on some production and income taxes as well.

Bolivia passes law imposing new 32% tax on revenues of natural gas and oil producers.

Chile imposes new tax on copper production that ranges from 0.5% to 5% of operating profits, beginning in January 2006.

1971-72

Libya assumes the operations of BP and Bunker Hunt, and grabs 51% stakes in Occidental Petroleum and other U.S. oil companies in the nation.



ALASKA

In January 2005 Governor Frank H. Murkowski removed tax incentives from certain fields in the Prudhoe Bay region.

TRINIDAD & TOBAGO

Passed a law in October 2005 that removes various allowances for income tax and supplemental petroleum tax, in effect raising taxes for producers retroactive to 2004.

ARGENTINA

Raised export duties on oil twice in 2004. The duty ranges from 25% to 45%, rising as the price of oil increases.

RUSSIA

Raised export duties in 2004 to 65% on oil above \$25 a barrel.

PAPUA NEW GUINEA

Australian mining giant Billiton exited the Ok Tedi copper mine in 2002 following years of environmental protests and lawsuits.

INDONESIA

In late 2005 the government threatens to seize a \$2 billion oilfield from ExxonMobil if it cannot resolve a dispute with its partner, state oil company Pertamina.

SOUTH AFRICA

Legislation is likely to be passed in December 2005 that creates a state diamond trader and may impose a 15% export duty on some diamonds.

billion of capital in the ocean. New exploration ceased for a while. But as oil prices continued rising, such investment in exploration resumed. Some oil industry analysts expect Chancellor of the Exchequer Gordon Brown to announce a further tax hike in the near future.

Perhaps the tin-pot legislators over in London were inspired by their counterparts in Washington. In 1979 President Jimmy Carter persuaded Congress to levy what was called a "windfall profits tax" on oil. It would be more accurate to describe the tax as an excise tax of up to 70% imposed on the difference between the market price of oil and a base price. Before it was repealed in 1988, it raised a net \$40 billion, significantly less than the government's projected \$175 billion. The net effect was an increased dependence on oil imports as domestic production fell between 3% and 6% and imports grew on the order of 10% annually, said a Congressional Research Service report issued in 1990.

With oil prices high once again, the season is on for more tax hikes. In January Alaska Governor Frank H. Murkowski surprised oil executives by declaring that he would remove tax incentives from most outlying fields in Prudhoe Bay. The biggest

A World of Rule-Changers

It's one thing to change the terms of future oil or mining contracts. It's quite another to shift the terms upon which original investments were made. The surge in commodity prices in recent years has led governments around the world to impose higher taxes, royalties and export duties on copper, oil, natural gas and—now under consideration in South Africa—diamonds.

losers: BP, Conoco Phillips and ExxonMobil, which together now face an additional annual tax bill of at least \$90 million, estimates Fraser McKay of Wood Mackenzie. The trio have appealed the decision.

Investment in Bolivian natural gas exploration dropped 73% to a mere \$13 million in the first half of this year compared with 2003. The cause: uncertainty created while the government debated and ultimately passed a hydrocarbons law that, among other things, imposes a new 32% income tax on gross revenues of natural gas and oil producers. This, on top of an existing 18% royalty. The new legislation has cast a chill on an otherwise promising natural gas industry. The country has the second-largest natural gas reserves in South America, after Venezuela. Foreign energy companies, keen on the potential, have invested \$3 billion in the natural gas sector since it was privatized in the late 1990s. Now they are having second thoughts.

The Bolivian hydrocarbons law was

passed against a backdrop of relentless protests by labor groups, miners, teachers and indigenous people against the government's policy of opening the natural gas sector to foreign exploration. In September 2003 the ruckus included road blocks that paralyzed much of the country and sparked a violent reaction from the Bolivian armed forces; six villagers were killed. Protests escalated, and within a month President Gonzalo Sánchez de Losada resigned and fled the country. The new president, Carlos Mesa, held a referendum, and Bolivians voted to reclaim state ownership of the country's hydrocarbons "at the wellhead."

Though elected officials took steps in response this past May, many Bolivians believed the law did not go far enough. They demanded full nationalization. Tens of thousands of protesters blockaded La Paz, the capital, daily. In June Carlos Mesa was forced to resign.

The two biggest investors in Bolivian gas sector, Petrobras of Brazil and Repsol



SOME SAY THE BEST DIRECTORS WON'T PUT THEMSELVES ON THE LINE.

SOME SAY THEY WILL IF IT'S THE RIGHT THING TO DO.

WE SAY TAKE YOUR SEAT.

We don't back down from risk, we embrace it. We insure tough choices. We insure Directors and Officers. To learn more, contact Vince McGeehan at 646-458-6972 or visit acelimited.com



ace group

20 YEARS OF INSURING PROGRESS™



Protesters vs. Producers

Incessant protests in Bolivia (above) since 2003 against foreign oil and natural gas companies have forced out two presidents and led to a nationalistic hydrocarbons law that scared off most investment. Environmentalists railed against BHP Billiton in 2000.

YPF of Spain, won't comment on the situation. But the big international producers in Bolivia sent a letter to the government asking for a "dialogue" about the new law. BG (formerly British Gas) says that a presidential election scheduled for December has put all talk on hold. But a BG spokesman says the company continues to operate and is not pulling out of the country. BG does contest three aspects of the hydrocarbons law: the forced signing of new contracts, limits on where producers can export and ownership restriction at the wellhead. "This is not about our investment. It's very much about the future," says BG spokesman Neil Burrows. "The amount of capital expenditures needed to generate development could be in jeopardy." Try yelling that into a bullhorn in La Paz.

Sometimes a resource company faces pressure at home. Australian mining giant BHP Billiton first invested in the Ok Tedi copper mine in Papua New Guinea in the late 1970s and eventually acquired a 52% stake. Environmental groups in Australia began criticizing BHP Billiton for dumping tailings from the mine into the Fly River and harming much of the fishing and drinking water. In 1996 BHP Billiton settled out of court one lawsuit brought by affected villagers. But the legal battles brought by environmental groups and villagers continued at courts in Aus-



tralia and Papua New Guinea. At one point in 2000, protesters dumped dirt and dead fish in front of BHP Billiton headquarters in Melbourne.

BHP Billiton admitted that the pollution "exceeded initial predictions" and tried to convince the government of Papua New Guinea, which owns 30% of the mine, to shut it down. But the government refused; the copper exported from the mine was among its largest sources of income. Thus in 2002 BHP Billiton transferred its 52% stake to a sustainable development fund intended to benefit Papua New Guineans; it wrote off its entire \$416 million investment.

Since then copper prices have doubled, and the mine's net income has tripled in the last two years to an annualized \$45 million this year. All three lawsuits pending against BHP Billiton in 2002

have been dismissed. The money may reach more politically acceptable pockets but the mine is still "absolutely disastrous" in environmental terms, says Don Henry, executive director of the Australian Conservation Foundation.

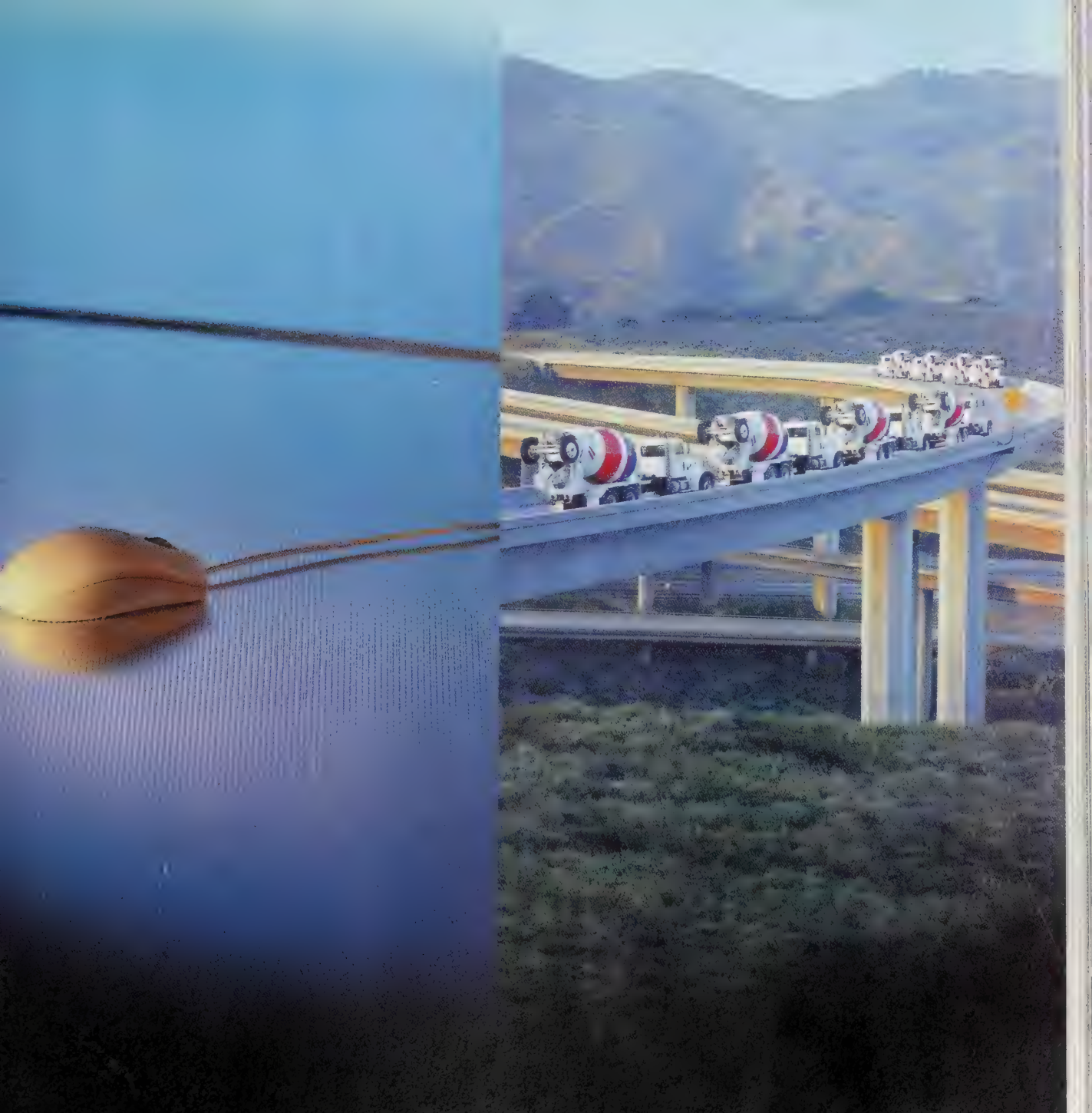
Back in Africa, in thoroughly civilized Cape Town, diamond giant DeBeers Group finds itself in the crosshairs of the South African government. In an attempt to create jobs and keep more of the diamond cutting and polishing business at home, Parliament is considering a law to

create a state diamond trader. This entity would likely force DeBeers and other producers to sell it a certain percentage of diamonds at "fair market value" and would then presumably sell the diamonds to the regional cutting and polishing industry at the same price. Much of the diamond polishing is currently done in India and China.

The proposed law also would tack a 15% export duty on certain diamonds, depending on their quality. "With

a 15% export duty and a possible partial theft of some of [DeBeers'] production this [new legislation] could certainly reduce DeBeers' mining operations," says diamond consultant Richard Wake Walker, adding that smuggling—always an industry curse—would be encouraged. Michael Bedford, analyst at Barnard Jacobs Mellet Securities, says the South African government is "overreacting in its attempts to rein in DeBeers." DeBeers diplomatically says it "shares the government's goals of a transformed industry."

DeBeers knows how to persevere with potentates—it managed to profitably get rough diamonds out of Zaire when Mobutu was ruling the roost and lining his pockets—but this game is no fun if the government captures all of the potential profit.



Our passion for change has built the most profitable
global cement company around.

Global building needs evolve, a passion for change enables CEMEX to thrive in
developing countries and mature markets alike. Our acquisition of RMC
strengthens that growth strategy. Beyond our increased scale and global reach, our
access to new markets will better position us to grow more profitably and
deliver more value to our stakeholders. This passion for change has fueled our
ability to deliver stable, sustained double-digit growth to shareholders over the
last 10 years—and helped us become a global leader in construction materials in
process. When you're passionate about something, you can build anything and
improve the quality of life for people everywhere. To learn more about us,
visit www.cemex.com.



Building the future™



Feel like a small fish in a big pond? Switch to TD Waterhouse.

FREE TRADES FOR A MONTH

Open an account online at

tdwaterhouse.com/freetrades

and enter offer code **MRAFBF**

CONTACT US AT:

1.800.tdwaterhouse

tdwaterhouse.com

Minimum investment for new accounts \$3,995

At TD Waterhouse, you'll get the attention you deserve, no matter what the size of your portfolio.

Got a question about your account? Looking for guidance in retirement planning? TD Waterhouse Investment Consultants are there for you on the phone or in person at any of their more than 140 branch offices.

They can even make switching to TD Waterhouse hassle-free. New customers have praised TD Waterhouse Investment Consultants for making the transition fast and easy.

It's just the kind of friendly, professional service you may not be getting from your current broker. So isn't it time you start investing for yourself at TD Waterhouse?

You can do this. Switch today to TD Waterhouse. The alternative to higher-priced brokers.



Waterhouse

©2005 TD Waterhouse Investment Services, Inc. Member NYSE SIPC. Comparison based on survey of standard equity commissions as of 9/10/04. Services vary by firm. Access to services and your account may be affected by market conditions, account activity, or other reasons. Online market orders are \$9.95-\$17.95 depending on trading activity. Limit orders just \$3 more. Trades over 2,500 shares incur 1 cent per share charge for the entire trade. TD Waterhouse's standard equity commission schedule. To be eligible for this promotion, account must be opened by 10/31/06; free trades are valid 30 days from account funding; accounts must be funded with a minimum investment of \$3,995. Each free trade valued up to \$45. Offer valid for new customers only who open an individual, joint, retirement, trust, or Coverdell Education Savings accounts. Corporate and institutional accounts are not eligible. Funds transferred from existing TD Waterhouse accounts are not eligible. One offer per person. U.S. residents only; void where prohibited. Offer subject to change at any time without notice. Accounts referred by TD Waterhouse Institutional Services, Inc. are not eligible for free trade offer.

CODE: MRAFBF

TDW3852

2006 Investment Guide



THE RELENTLESS TIDAL WAVE OF RETIREES IS BUILDING. IN 2006 THE FIRST baby boomers turn 60. So this Investment Guide focuses on how you can navigate retirement wisely. Our lead piece (*p. 142*) touts the benefits of straight annuities—low-fee instruments that pay you an income for life—and offers strategies to get the most out of them. We also expose the absurdity of placing IRAs into the clutches of variable annuities, the bastard cousins of straight annuities (*p. 148*). And we give tips on how to find good assisted-living centers (*p. 156*) and retiree health care (*p. 162*).

We tell you how to dicker with your broker (*p. 177*), milk the most from a winning bond (*p. 180*) and decipher Morningstar fund ratings (*p. 188*). We uncover tricks that sharpies employ to prey on smart investors (*p. 166*). Amid high energy prices, you'll find out how to use solar heating tax breaks—while they last (*p. 192*). And with the tax code up in the air, read how to position yourself (*p. 210*).

Retirement Planning	142
Stocks & Bonds	166
Real Estate	192
Insurance	196
Charity	202
Taxes	210
Flings	216

How long can you afford to live?

Retirees are living longer—many a lot longer. What are the odds a 65-year-old



Percentage of 65-year-olds who will live to see 100

65 YEARS

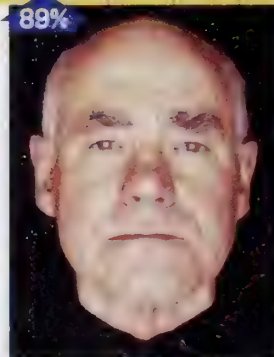
93%

70 YEARS

83%

75 YEARS

woman will need her retirement savings to last until the following major birthdays? How about a 65-year-old man?



Source: National Center for Health Statistics.

Living Long

IN THE OLD DAYS YOUR EMPLOYER WOULD TAKE CARE of you. You'd put in 30 years at IBM or GM and be guaranteed a certain monthly payout for as long as you lived. Such pensions are becoming scarce. Nowadays you retire with a lump sum from a 401(k) or the like, and it's up to you to make it last. For that purpose an immediate annuity, of the sort sold by a life insurance company, is tailor-made. Too bad more retirees don't know about these things.

The annuity market has, unfortunately, been dominated by a different kind of annuity, one that builds up a pile of money rather than running it down. These savings plans come with some (extremely) modest tax advantages and a whole lot of cost and liquidity disadvantages. The build-up annuities, often called variable annuities because they are almost always invested in mutual funds rather than fixed-return obligations, vastly outsell

immediate annuities. What a shame. For a lot of people the immediate annuity is a valuable part of a financially healthy retirement. Also, for a lot of people the build-up annuity is a mistake (see p. 148).

The immediate annuity works like this. Say you're a 65-year-old man who wants a guaranteed \$50,000 annual income for life. Pay \$622,115 now and State Farm will guarantee you that income stream (called "annuitizing"). By this means you insure yourself against outliving your savings. You don't want to reach 90 only to find yourself penniless and stuck in a Dickensian nursing home. With the State Farm contract, you are betting you can make it past age 77, when you start collecting more than you put in. Immediate annuities' biggest downside is that once you die, even if it's the day after buying the contract, all the upfront money goes to the insurer; heirs get zip.

Overall, though, immediate annuities are a square deal. The



s the Best Revenge

in the age of do-it-yourself retirement, you're on your own when it's time to convert a 401(k) into an immediate annuity, a stream of payouts that will last a lifetime. One clever tactic: Wait until 70 before buying. *By Scott Woolley*

Insurance companies' profit margin is very often in the range of 1% to 5%. That means that for every dollar the average buyer pays in, he will cash checks with a present value of between 95 and 97 cents.

How odd that immediate annuities, for all their many advantages, remain stunningly unpopular. Americans invest at most \$10 million per year in them, estimates Jeffrey Brown, a University of Illinois professor. Build-up annuities dwarf that, with \$1.1 trillion in assets. Retirees around the world share that distaste. Rapidly aging populations in Britain, Italy, Mexico and elsewhere have put little money in annuities that their governments have created special programs that promise to boost annuity sales, lest the public treasury end up supporting millions of broke nonagenarians. "It's a big question," says Olivia Mitchell, a Wharton professor and retirement expert. "Why don't people annuitize more?"

Human psychology appears to be the main reason. Most

people on the brink of retirement have a hard time imagining themselves reaching 90 and beyond. Nor are they persuaded when life expectancy tables tell them they stand a good chance of doing just that.

The typical 65-year-old woman will live to 86; she has one chance in three of surviving past 90. One in five 65-year-old men will celebrate a 90th birthday. Centenarians, once a rare species, are becoming downright common. Robert Rockwell, a Sandy, Ore. financial planner, says he warns his clients on the verge of retirement that, with advances in medicine, they might well live to see triple digits. He can point to one client who already has. "They still don't believe it will happen to them," he says.

Even people who understand actuarial averages can't stand the risk that they might die young and not get their money's worth, says Rockwell. "Most people want to make sure they

don't pay \$100,000 for an annuity that pays them \$2,000 for two months," he says. "It's almost a matter of principle." Rockwell often compromises with clients, directing them into a so-called life-plus-period-certain annuity. He likes a guaranteed ten-year contract, which ensures that a spouse or some other heir gets payments for the balance of that span. Die at year two and your wife gets eight years of payments. Should you live past ten years, the annuity keeps paying you. Drawback: That ten-year guarantee slices a monthly annuity check by 13% (for a 75-year-old male investor).

Yes, there are times when you shouldn't be buying an immediate annuity. Don't buy one if you are in terrible health, since the price presumes that you have at least an average life expectancy. And should your nest egg generate sufficiently high income that you can live on it without dipping into principal, then forget annuitizing.

We examined four high-rated issuers and compiled a list of what you'd have to pay now to get a \$50,000 annual annuity income (see table), depending on age and gender. Of course the older you are on the purchase date, the less you have to pay; the older you are, the fewer the \$50,000 paychecks the insurer will likely have to write. For those age 65 the payout ranges from 7% to 8%. That beats buying Treasury bonds and living off the coupons (the 10-year bond yields 4.56% and the 30-year 4.7%).

Here are some tips on immediate annuities.

Wait until you are at least 70. That's the gist of a study by Wharton's Mitchell and two German professors at the University of Frankfurt, who tinkered with different withdrawal plans and investment strategies.

Consider two hypothetical retirees, John and Frank, both 65, who each have \$1 million to retire on. They both want to withdraw \$58,000 yearly (with increases to compensate for inflation) from their retirement stashes. John simply annuitizes everything. He should, based on an average life expectancy of 83 for a 65-year-old male, be around just long enough to cash checks with a present value of \$970,000. (That's \$30,000 less than the \$1 million he paid, which

accounts for the insurance company's gross profit.)

When Frank turns 65, he puts 85% of his money in bond and 15% in stocks. Each year he withdraws the same amount that John's annuity pays him. Then, at 75, Frank annuitizes what he has left. With that strategy Frank should expect to collect \$1,090,000 in total payments by the time he dies (if the return on his investments match historic averages), or \$120,000 more than John. The kicker: Should he die between 65 and 75, before he annuitizes, he'll have something to leave to heirs. John's kids will get bubbles.

Frank does take some risk in the stock and bond markets that John does not. But with the very conservative bond-heavy portfolio Mitchell analyzed, that risk is slight.

One small caution is that Mitchell's theory ignores the risk that an older person who no longer has all his mental faculties might never get around to buying an annuity.

Roll over tax-sheltered money. If you have both taxable accounts and tax-sheltered ones like 401(k)s and IRAs that could fund your annuity, consider choosing the sheltered accounts for your purchase. Those accounts can be rolled into an immediate annuity, and the payouts can qualify for

an IRA's minimum distribution requirements. Then your monthly annuity checks will be taxed as ordinary income.

If you buy an annuity with aftertax dollars, you wind up with some messy accounting. You're supposed to amortize the purchase price of the annuity over its expected life span, that being a function of mortality tables. Then you deduct the amortization from the monthly checks to arrive at the taxable amount. (Unused amortization can generally be used by your heirs to lower your last year's income tax.)

Consider an inflation-protected annuity. Odds are inflation will advance as your retirement winds on. But oddly, that is a threat few are worried about, says Ellen Rinaldi, a retirement expert at Vanguard, which sells one of the few immediate annuities whose payments rise with inflation. Only 1 in 20 people who buy annuities from Vanguard (which are underwritten by insurer American International Group) signs up for an inflation-shielding one.

What stops buyers is that the initial payment is some 20% lower than a flat payment annuity would render. At a 3% yearly Consumer Product Index rise, which is what most savants assume we will have, the inflation-linked annuity would take 7.5 years to reach parity with the regular kind. If we return to double-digit rises, the CPI-tracking annuity would look better. With 10% inflation you'd get parity at 2.5 years.

"People ask me if annuities are a good investment," says professor Mitchell. "I tell them that's the wrong question. Annuities aren't an investment, they're insurance."

THE LATER YOU WAIT TO TAKE OUT AN IMMEDIATE ANNUITY, THE LARGER YOUR MONTHLY PAYOUT WILL BE.

Guaranteed for Life

Here's what different companies charge people to provide them with a \$50,000 annual income for life.

S&P RATING	STATE FARM AA	VANGUARD ¹ AA+	STANDARD INSURANCE A+	GENWORTH AA-
MALE 65	\$102,115	\$800,847	\$811,451	\$808,523
MALE 75	\$80,115	\$495,112	\$495,071	\$497,950
MALE 85	\$60,120	\$310,403	\$300,380	\$310,007
FEMALE 65	\$77,710	\$444,310	\$441,989	\$442,410
FEMALE 75	\$55,115	\$275,500	\$269,010	\$269,102
FEMALE 85	\$35,000	\$160,000	\$150,000	\$150,000

BE DIVERSIFIED

WITH ALL OUR MUTUAL FUND AND ETF CHOICES.

OVER 6,000 MUTUAL FUNDS
AND EVERY ETF SOLD
INCLUDING:



Vanguard



JANUS

Dreyfus
A MILLER FINANCIAL COMPANY

PIMCO

SPDR

THE DOW INDUSTRIALS
DIAMONDS

SELECT SECTOR
SPDRs
INVEST IN CONTROL

streetTRACKS

Start with our wide range of investment choices, then use our powerful online tools, research, and expert advisors¹ to select the right mix of investments for your portfolio.

Challenge the ordinary.

Be E*traordinary



E*TRADE
FINANCIAL

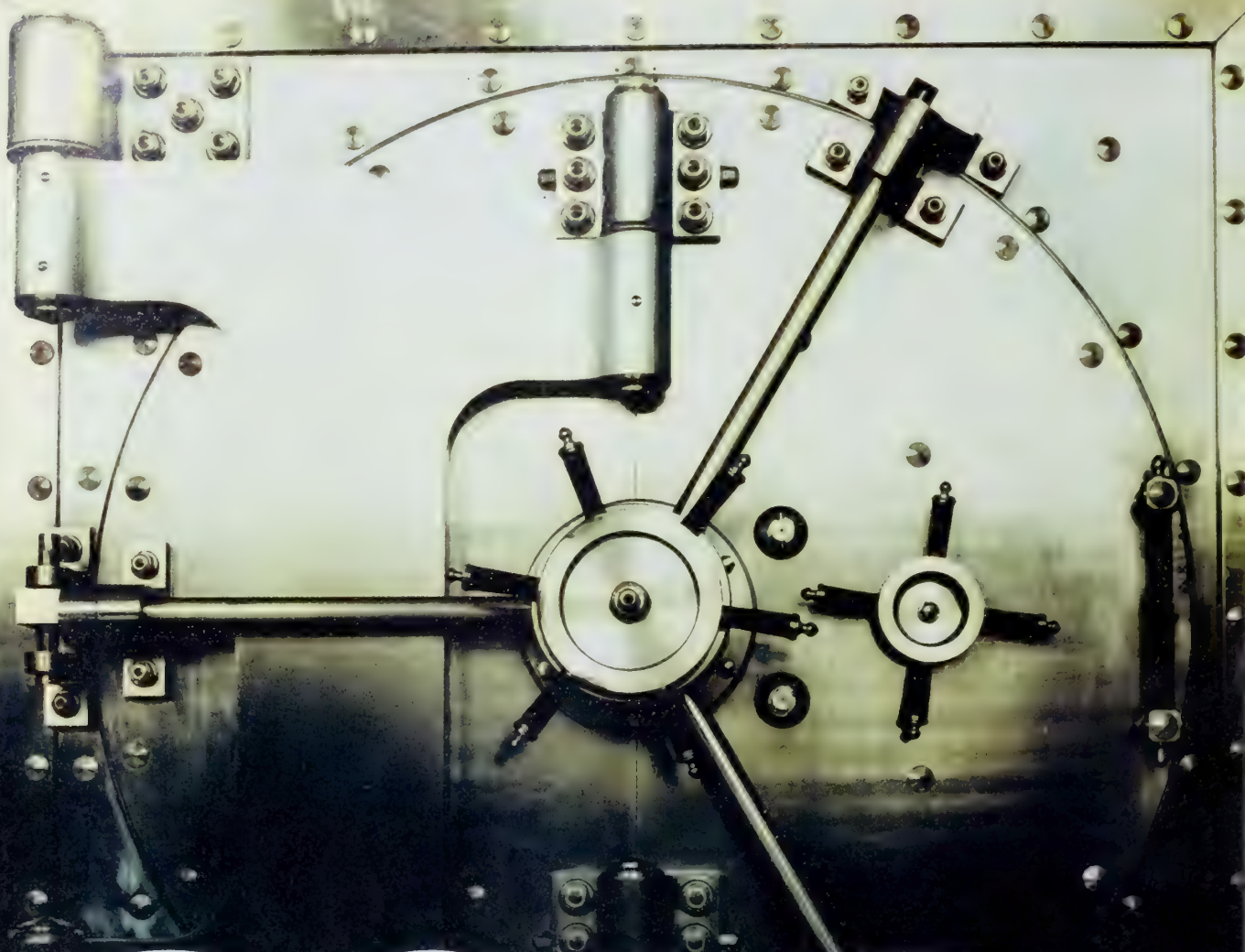
Get a 12-month Morningstar.com Premium Membership?
Call 1-800-731-5223 or visit etrade.com/superstore

You should consider the investment objectives, risks, charges and expenses of a mutual fund or exchange-traded fund carefully before investing. The fund's prospectus contains this and other important information. For a current prospectus, please visit www.etrade.com/mutualfunds or visit the Exchange-Traded Fund Center at www.etrade.com/etf. Read the prospectus carefully before investing.

1. The Investment Specialist Group provides advice on mutual funds, bonds, and asset allocation. Customers are required to complete additional forms and documentation in order to receive such services. Different commission structures may apply and in some cases may be less or more than the rates posted on the website.
2. Offer ends December 31, 2005. To qualify for this offer, a new E*TRADE Complete Investment Account must be opened by December 31, 2005 and new funds must be deposited or securities must be transferred within 30 days of opening the account. Other important terms and conditions apply. This \$124 subscription is being provided to you for educational purposes only. The content has been written by a third party not affiliated with E*TRADE FINANCIAL Corp. or any of its affiliates. No information contained on the Morningstar website has been endorsed or approved by E*TRADE Securities, and E*TRADE Securities is not responsible for the content. The subscription will terminate at the end of the 12-month trial. Morningstar is a registered trademark of Morningstar, Inc.

Securities products and services are offered by E*TRADE Securities LLC, Member NASD/SIPC.

© 2005 E*TRADE FINANCIAL Corp. All rights reserved.



GOLD

THE ULTIMATE SECURITY



Y

ou may think your investment portfolio diversified. But is it really? It probably contains different types of stocks, mutual fund shares and bonds, which does not necessarily spread your risk exposure since they're all paper assets.

investors seeking to truly diversify and add greater safety to their portfolios are investing in gold, which is both a commodity and a monetary asset. "Gold is the oldest form of investment," says Jonathan Rose, president of The Capital Gold Group, Inc. "It's the only asset that's a safety net because gold is apolitical in the sense that uncontrollable world events do not often impact it directly. If its price has been affected by the Iraq war, the U.S. federal deficit or higher gas prices, it's generally been in a positive way."

Mr. Rose believes investing in the physical asset of gold through the purchase of bullion coins, bars or ingots is preferable to purchasing gold company mutual fund shares. "In a fund, you're still investing in a paper asset and relying on the profitability of a company mining gold," he says. "If they stop mining or something else happens, you stop making money."

LONG-TERM VALUE

Because gold's performance tends to move independent of other asset classes, you are reasonably assured that your gold investment will retain value over the long term. According to the World Gold Council, the price of gold has kept pace with inflation for at least 200 years.

Gold is an excellent way to protect investments from the shrinking value of the dollar, which currently is struggling as more countries, including emerging economic forces such as China and Malaysia, are disassociating their currency from the dollar. Central banks around the world are also beginning to sell dollars and increase their holdings of euros as the euro's currency grows stronger. The euro is partially backed by silver and gold.

About two-thirds of all the money that's printed by the U.S. is held by overseas investors," Mr. Rose says. "They're watching our economy, and if they don't like what they see, they'll start selling dollars and buying euros. It's already happening."

The cloudy energy outlook following Hurricanes Katrina, Rita and Wilma, and concerns about global security, make it more likely that the Federal Reserve will continue raising interest rates, which will make it difficult for the dollar to gain ground. As a physical asset, gold gives investors the security of knowing that it is immediately accessible — and liquid — in case of an emergency. "At the Capital Gold Group, we can store investors' gold holdings, and we encourage them to take possession," says Mr. Rose. "If a crisis occurs, you have gold on hand and that can be turned into cash."

For investors who are seeking true portfolio diversification and greater safety for their nest egg and that of their heirs are turning to investment in gold. This precious metal retains its value, despite world events that are disrupting economies, and it protects against the dollar's shrinking value.

Isn't it time you made your capital as safe as gold?

MAKE GOLD A PART OF YOUR PORTFOLIO

Call 1-800-510-9594, or visit www.safeasgold.com to get your free *Insider's Guide to Owning Gold*, which will show you how to purchase gold at the lowest possible prices and which gold coins will give you bigger returns in the future.

JUST FOR FORBES READERS:

Make a gold purchase and we will add a free gold coin to your portfolio.

Please mention code FB121205

when you contact us.



Q
&
A



With Jonathan Rose, President,
The Capital Gold Group

Q. What got you interested in gold as an investment?

A. I spent the early part of my career working at the London Metal Exchange trading base metals such as aluminum, copper and tin. As I started learning and reading more about metals of all types, I became intrigued by gold and its history. It's the oldest type of investment. And the more I learned about gold, the more I realized what a sound way it is to help protect personal wealth. It retains value over time and is not affected by world events the way other investments are. It's a safe haven against inflation, increasing consumer debt and an ever-shrinking dollar.

Q. How easy is it to begin investing in gold?

A. It's quite straightforward. Bullion coins are an excellent way to start because you can begin with a relatively modest purchase plan and build up your holdings. Many investment advisers recommend that individual investors place up to 20% of their portfolio in gold. A reputable, customer-focused gold investment firm will assist investors in determining the best allocation and purchasing plan for their needs.

Q. What prompted you to establish The Capital Gold Group?

A. Traditionally, gold has been marketed as a niche investment. I don't see it that way. I think that gold's safety can benefit any investor. So, my company focuses on educating consumers about gold and helping them find the gold investment opportunity that's right for them. I guess I'm a sort of advocate for gold.

CGG

THE CAPITAL GOLD GROUP

IF NOT FOR THE BEAR MARKET, Kathleen Mitton might never have noticed that she got a raw deal on her IRA investment. In September 1999 broker Michael Fangman of A.G. Edwards & Sons persuaded her to put the whole \$384,210 into a Lincoln National variable annuity, a mutual fund wrapped in an insurance policy.

The annuity, invested in equity-heavy American Funds, didn't do so well. Mitton, a California Edison retiree from Oceanside, Calif., wanted out. Then she

got a belated lesson in the economics of annuities. They cost a pretty penny in fees, and they are hard to exit. Also, they are a dumb investment for an individual retirement account.

Fangman and Edwards pocketed an estimated 6.75% of Mitton's investment, or \$25,900, as a sales fee. To get out, Mitton confronted a charge that started at 7% and will decline to 0% after seven years; this enables Lincoln to recover the sales commission it pays brokers.

The stiff cost of an annuity's insur-

ance wrapper is ostensibly justified by the coverage. But this insurance doesn't do much to make a tax-deferred annuity a good retirement investment. In this case the insurance guaranteed that if Mitton died when the investment was underwater, her heirs would get back whatever she put in—the bear market protection was not available to Mitton herself and wasn't much use, as her son was grown.

But perhaps the most galling and unnecessary part of the whole misadventure: Both an IRA and a variable annuity

are tax deferred. So loading her IRA into the insurance product was a costly variety of overkill.

"I got ripped off royally," says Mitton, who mortgaged her home to meet expenses. She has filed a complaint with the National Association of Securities Dealers that she was misled. A.G. Edwards disagrees, and broker Fangman says she wanted the insurance.

Mitton's is no freak case of overdoing a tax deferral. Of the \$130 billion in variable annuities sold last year, \$78 billion went into retirement accounts (bringing that total to \$679 billion) where their tax deferral is worthless. Why do people put such insurance into tax-deferred accounts—IRAs, 401(k)s and those for teachers? Probably because annuities are sold, not bought, and because brokers are hungry for fees. A few decades ago an 8.5% upfront commission on load funds kept them well fed. Now sales loads fall as invested balances rise, and word is out that no-load funds are easy to buy. Variable annuities fill brokers' need for a product yielding rich fees; the insurance angle provides a sales pitch.

You get some protection from this insurance but not much. If you put \$100,000 into an annuity at 45, then die at 50 when your investment has fallen in value to \$90,000, your

Shelter Skelter

Who would be naive enough to put a tax-sheltered variable annuity inside a tax-sheltered account? A lot of customers—\$679 billion worth. *By Neil Weinberg*



Doggy product: Retiree Kathleen Mitton was forced to mortgage her home after being sold an annuity.



one with both worlds. Don't be deceived by its finely sculpted lines and elegant demeanor. The Acura MDX, with
ronic 4WD and traction control, has the ability to go where luxury rarely treads. The MDX.  **ACURA**

Package shown. Visit acura.com or call 1-800-To-Acura for more information. © 2005 Acura. Acura and MDX are trademarks of Honda Motor Co., Ltd.

kids still get \$100,000 back—equal to \$10,000 worth of life insurance.

There's more to the sales pitch. Variable annuities can be converted from savings into a lifetime income stream through buying a straight annuity, known as "annuitizing" (see p. 142). Because of those salutary features, says Michael DeGeorge, general counsel for the National Association for Variable Annuities, "variable annuities are appropriate in retirement plans."

It's a debatable point, but in any event the annuity hard sell is going to become a little harder to execute. The NASD has proposed tightening the rules on variable annuity selling practices—by, for example, requiring managers to approve all sales. The association has pursued 100 enforcement actions the past three years against brokers for infractions like recommending variable annuities when they are clearly unsuitable. "Abuse is widespread and overwhelmingly involves elderly women with no investment experience," says Mitton's lawyer, Ronald Marron.

The argument that the option to annuitize makes variable annuities good investments is weak, given that only 1% or so of policyholders ever do so. (Small wonder. Brokers aren't eager for them to do it. "Annuiticide," they call it, since such conversions kill their trailing commissions.) Besides, under the umbrella of a tax-sheltered retirement plan you can get the same effect owning low-cost mutual funds until you retire, then using the money to buy a monthly straight annuity.

Not every fund vendor is supping at this table. Investor-owned Vanguard won't even sell variable annu-

ities into tax-deferred accounts. "Why buy both a belt and suspenders?" asks John Woerth, a spokesman at Vanguard.

But then there are respectable fund firms like Fidelity, Janus and T. Rowe Price that offer the unneeded double layer of tax protection. Fidelity announced in May plans to "significantly expand distribution" via variable annuities. It already has \$57 billion in variable annuities via 50 insurers. One of those is Hartford, which

placed half its \$6 billion in variable annuities sold through June into retirement accounts. Fidelity says it pays "significant amounts" to insurers and brokers to move the merchandise. Hartford, in turn, pays commissions, sponsors sales contests and gives prizes to brokers. Just possibly this flow of funds influences brokers' recommendations to investors about whether they should have an annuity inside an IRA. Fidelity says it's up to insurers to comply with sales practice rules, which are NASD regulated.

Pacific Life sold \$1.7 billion into retirement accounts in the first half, or 54% of its variable annuity sales. Reassuringly, a company Web page says it picks funds for performance, style consistency and tenure. Less reassuringly, deep in its 242-page prospectus the insurer notes that the funds offered, including American Funds, the Janus Growth LT and Focused 30, pay Pacific Life "advisory" fees and "may from time to time bear other expenses," including conferences "that may be attended by the insurer's executives, their spouses and guests."

Pacific Life, in turn, pays salesmen up to 8% upfront plus 1.25% a year while a client is invested. It also pays some brokerages for access to salesmen, which, it says, "influences the way that the broker-dealer and the registered representative market the contracts." Never mind that the Securities & Exchange Commission voted unanimously last year to ban mutual funds from similar influence peddling via directed brokerage—sending trades to firms that flog their funds.

In a filing with a federal lawsuit in Brunswick, Ga. accusing the firm of wrongfully targeting retirement plan investors, plaintiffs submitted a Pacific Life sales training slide show called



RULES OF ENGAGEMENT

> Owning variable annuities in retirement accounts is costly and redundant.

> Salesmen push variable annuities because they earn commissions of as much as 8%.

> Insurers offer salesmen lush incentives to tout annuities.

> Do not assume that because a variable annuity includes well-known no-load mutual funds that it is a good deal.

> If you want monthly payments for life, invest in low-cost mutual funds while working and then buy an "immediate" annuity that starts making monthly payments right away.

VARIABLE ANNUITIES GIVE SALES REPS RICH FEES. THE INSURANCE ANGLE HELPS THE PITCH.

"Overcoming Objections." One slide headlined "VA in a Qualified Plan" (meaning an IRA and the like) has this bullet point: "Double tax-deferral ... so what?" The court in May certified the class action involving 120,000 customers. Pacific Life says in a written statement that it strongly disagrees with the claims. Janus says it does not know who invests in its funds via annuities or whether the product is suitable. "For those investors concerned about outliving their retirement savings or protecting accumulated assets, an annuity may be a good choice," Janus adds. An American Fund spokesman declines to comment.

Among those T. Rowe Price sells through is ING's \$50 billion variable annuity business; over half of the insurer's variable annuity assets involve retirement accounts in the first half. Compare T. Rowe Price's large-cap Growth Stock and the version sold to annuity holders, called Growth Equity. Although the two funds have the same manager, the annuity-sold version charges 25% more in yearly fees (1% of assets). ING gives T. Rowe Price an undisclosed portion of that 1%. The fee comes atop ING's annual 1.6% charge for insurance and other items.

T. Rowe Price apparently can live with selling pricey, redundant products but say it would act if an insurer were "tarnished by unethical or illegal sales practices or challenged by regulators." But why pay 2.6% a year to get expert IRA portfolio management? Plenty of good funds are available, from Fidelity, Price, Vanguard and others, costing 0.2% to 1%.



Identity Theft & Identity Fraud

COPING STRATEGIES

Written by aimpublications LLC

The holidays present a great opportunity for identity thieves. Just about everyone buys more and differently than usual, obscuring fraudulent transactions in a flurry of out-of-the-ordinary bills and events.

...e personal data on more than 50 million Americans — roughly one-sixth of the entire population — was lost or stolen in just the first half of 2005, there's plenty to worry about. Which is exactly what affluent investors, those who are rich and/or lucky enough to have more than \$1,000,000 in investable assets, are doing. As far back as last summer, no less than 52% of them viewed identity theft as a big concern, according to a study by Spectrem Group ("Privacy Concerns of the Affluent Investor").

Fewer of the 500 households polled were concerned about the economic impact of another act of terrorism (38%), or the Social Security system's ability to make promised lifetime payments (42%), or a faltering economy causing someone in the household to lose a job (24%).

How, then, can you protect yourself, your employees, and your customers? It turns out that some of the most effective techniques are low-tech, like much identity theft.

The case against toy shredders.

Underpowered shredders can be so frustrating, you'll avoid shredding. These days, that's dangerous. The Powershred SB-85C will give you the power and muscle to confetti-cut 15 sheets at a time, ripping through most junk mail—envelopes and all. Plus, DVDs, CDs, credit cards and paper clips.



www.fellowes.com

THE WORLD'S TOUGHEST SHREDDERS™



Shred the Risk

To stay in compliance with privacy legislation like the Fair and Accurate Credit Transactions Act (FACTA), notes Jude Rake, president and chief operating officer of Fellowes, Inc., all business owners must properly dispose of personal information that is derived from a consumer report. When that information resides on paper documents or plastic cards, they can most effectively accomplish this through shredders.

"It's not only very important for organizations to be in compliance with this legislation," he says,

it also has a tangible impact on their bottom line and is essential to gain consumer trust."

Shredders are just as important at home as in the office. Jay Foley, executive director of the Identity Theft Resource Center, recommends purchasing a shredder that can destroy credit cards and has a confetti-cut shredder head so that documents come out completely unidentifiable.

The new line of shredders, the Fellowes® Powershred® Series for the home and office, offer the above features and are designed to be quiet, easy to use and space efficient. The exceptional power of the SB-85C and SB-95C is perfect for use in small businesses and busy home offices.

One of the simplest ways for individuals to protect themselves against identity theft," advises Rake, "is to shred sensitive financial documents and materials, such as credit card and bank statements."

How Businesses Can

REDUCE ID THEFT RISK

Follow These Best Practices

Place cross-cut paper shredders at each workstation or cash register area and insist that employees promptly shred all credit card slips, sensitive data, prescription forms and so forth.

Supply employees and customers or clients writing sensitive documents like gift certificates, checks or medical forms with pens using specially formulated ink that cannot be "washed."

Secure — electronically and physically — all personal documents and data about employees and customers, and implement encryption and other data safeguards for all mobile workplace devices containing sensitive data, including notebook computers and PDAs.

Establish electronic audit trail procedures so that access to, and use of, sensitive data is constantly monitored.

Destroy old computer disks and CD-ROMs, wipe electronic files and erase any data from computers before disposing of them.

Conduct criminal and civil background checks before hiring anyone who will have access to personal identifying information for employees or customers and clients. Also screen cleaning services, temp services and contractors.

Do not sell or share sensitive data about employees or customers and clients.

Protect against identity theft.

Shred all:

- Credit card receipts
- Financial documents
- Personnel records
- Canceled checks
- Banking information
- Legal documents
- Anything with your SSN

**BE SAFE,
SHRED IT!**



UNI-BALL FIGHTS FRAUD

Uni-ball is a leader in the production of high-performance writing instruments, including a line of uni-ball gel pens that help prevent identity theft such as check washing and document fraud.

"Check washing" is a form of fraud where criminals steal checks from the mail and erase the ink on the check, often using common household chemicals. Over \$815 million is lost annually in the U.S. to check washing.

Making CHECK WASHING Difficult

To avoid check washing and other forms of document fraud, consumers should use a uni-ball 207 pen because its pigmented ink becomes trapped in the paper, making check washing difficult. The pigmented ink found in the uni-ball 207 pen contains discrete color particles that embed themselves within the paper fibers.

www.uniball-na.com

uni-ball

Prevent Document Washing

Every year, according to the National Check Fraud Center, Americans lose more than \$800 million to "check washing" thieves who remove (often with common household products) what's written on the check and replace it with names and amounts of their choosing.

This time of year, the 75% of U.S. consumers who receive checks, gift certificates, or gift cards during the holidays are particularly vulnerable.

The solution? Prevention, observes Frank Abagnale, a longtime identity theft expert best known as the subject of the movie *Catch Me If You Can*. His advice: use pens with specially formulated inks containing color pigments that get absorbed into a check's paper fibers. Washing attempts fail because the ink is trapped in the paper.

Such pens are just as valuable in organizations. "When writing secure documents use a uni-ball 207 gel pen," counsels Abagnale, who describes the product as "simple and effective method for preventing check and document washing."

He also advocates signing important documents with black ink. "These black inks are typically bolder," he says. For years Abagnale has suggested using uni-ball pens to avoid check washing and other document fraud, and he particularly recommends the uni-ball 207, which uni-ball designed to his specifications.



WEB DIRECTORY

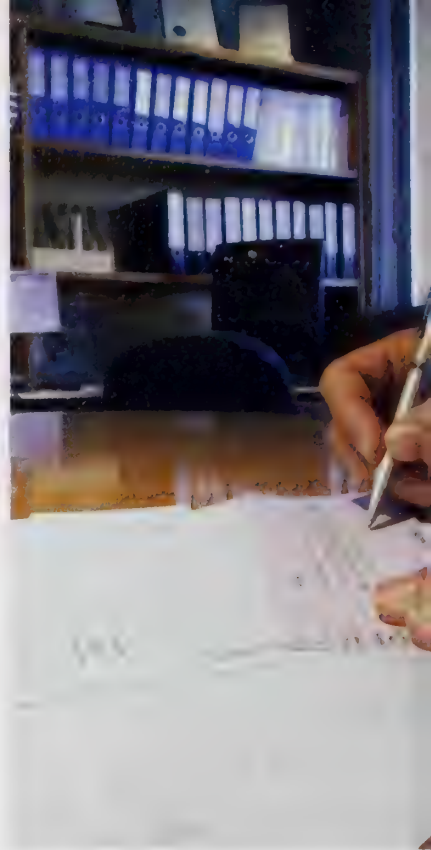
FELLOWES
www.fellowes.com

UNIBALL
www.uniball-na.com

Five Ways to

PROTECT YOUR IDENTITY

1. Use pens with specially formulated ink that cannot be "washed" when writing checks, contracts and other sensitive documents.
2. Before throwing them out, shred documents that could be used to steal your identity — including banking and credit card information, old bills and offers of preapproved credit.
3. Use e-mail-based account alerts to review your credit report and monitor transfers, payments, low balances, withdrawals, etc. If possible, electronically monitor account balances and activity every week, check your statements and pay bills online.
4. Keep your personal identifying documents, such as your birth certificate, Social Security card and military ID, private. Get your Social Security number removed from personal checks, driver's license, insurance cards, employee records, and so forth.
5. Do not provide your Social Security number whenever asked. Instead, ensure you know who is asking for it, why, and precisely how it will be used.

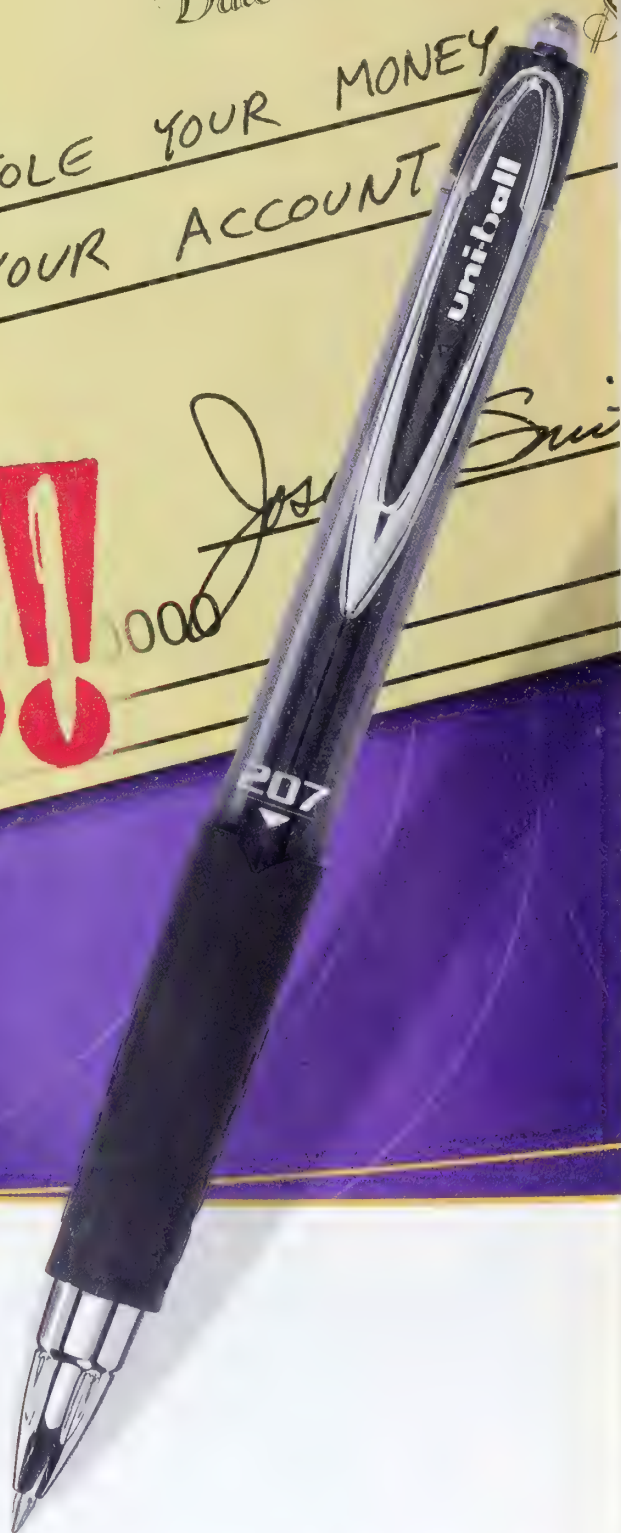


Joseph Smith
1234 E. Erie
Anytown, USA

Date 3/15/05

to the order of THE JERK WHO STOLE YOUR MONEY
VERY LAST DIME IN YOUR ACCOUNT

**uni-ball.
HELPS PREVENT
CHECK FRAUD**



Don't add to the \$815 million Americans lose every year to check washing.

Protect your finances by writing checks with the **uni-ball 207 gel pen**.

The special ink becomes trapped in paper, making criminal check washing virtually impossible.

www.uniball-na.com

uni-ball®
207 GEL



The Old Folks Home

Assisted living centers are a fine way to care for the aged, but finding a good one isn't a snap. Here's how to look. By Mark Tatge

HOLLADAY PARK PLAZA SEEMS LIKE A NICE, SAFE refuge for the elderly. The Portland, Ore. assisted living center takes care of old people who find that the necessities of life like cooking and cleaning now are Sisyphean challenges.

But Holladay also was happy hunting for Jeannie M. Miata, a Holladay nurse who, between filching one elderly resident's credit card and lifting jewelry from others, stole \$27,000. After her conviction, she fled to Texas, where she murdered a wheelchair-bound patient in her care and now is serving a 99-year sentence.

What a chilling tale for old folks in assisted living and their offspring. What's worse: Court records show Miata had few problems getting hired to care for the elderly despite holding a criminal record. Miata dodged detection by changing her name and hijacking someone else's Social Security number.

Unfortunately, assisted living, one of the most popular inno-

vations in elder care, remains problematic. A 1999 study by the U.S. Government Accountability Office concluded that one-fourth of the homes had poor care. Five years later *USA Today* reviewed 5,300 centers in seven states and found medication errors, poor staffing and poor training in 20% to 25% of them.

Too bad, because assisted living, which caught on in the 1980s, is a good idea for elderly people who aren't ready for confinement to a nursing home bed. You get, apart from the privacy of your own living space (who needs a roommate at 80?), a common dining room, housekeeping service and activities with other residents to relieve isolation. Trained professionals look in on you and help with dressing, bathing and other tasks, if you need that. Medical help is close at hand.

Private assisted living costs average \$2,500 per month, or \$30,000 yearly. Medicare and Medicaid don't cover assisted living. Yet it is 40% to 50% cheaper than a nursing home.

Assisted living is a growth industry, with annual revenue

TEACHERS SHOULD NEVER FAIL AT RETIREMENT.

That just wouldn't be right. Teachers are an exceptional bunch who affect us in ways that impact our entire lives. It seems only right we try to impact theirs. That is precisely why we exist. For more than 85 years, TIAA-CREF has been providing long-term financial solutions specifically created for people in the academic, medical, cultural and research fields. People like teachers, coaches, deans, administrators and others within academia and beyond who serve the greater good. As a \$350 billion financial services group with a lengthy nonprofit heritage, our mission is squarely focused on helping teachers and others avoid learning financial lessons the hard way. For all the things they teach us about life, we'd like to teach them a few things about life after class. A life we call, retirement.

Find out how we can serve your retirement at tiaa-cref.org/greatergood.

**TIAA
CREF**

FINANCIAL SERVICES

FOR THE GREATER GOOD

now of \$30 billion. Its population has doubled since 1990, with 1 million residents in 21,000 centers. By 2030 the 65-plus contingent is projected to rise at least 100% to 71.5 million.

How do you find a good home? Services vary widely in cost, scope and quality. There are no federal standards. State oversight is weak or nonexistent. When inspections are undertaken, they are far less rigorous than at nursing homes.

With no database available, the soundest strategy when shopping for assisted living is to visit many centers and ask many questions, certainly of residents. By all means, eat in the dining room. Some more tips:

Nursing home. Many of the best assisted living buildings have nursing homes attached or next door, for people who need round-the-clock medical attention. While the assisted living section is largely unregulated, that's not true of nursing homes, which must be inspected every 15 months—or more often if they have violations. Nursing homes, of course, have had their own share of scandals, with mistreated patients and filthy premises. Managers with bad nursing homes can be counted upon to run bad assisted living services, too.

Nursing home records are obtainable from the state health department. Look for deaths, fines, citations for abuse, neglect and lawsuits. Next, examine ownership and name changes. One common ploy aimed at covering up past problems is to change the name and reopen as a new home. Mergers sometimes indicate financial problems.

Watch for excessive staff turnover. Ask how long the manager and the nursing director have been in their jobs, says John Durso, a Chicago attorney representing health care providers. If the chief executive has been there ten years, that's good, he says. Not good: If the head person turns over every two years.

Consider buying insurance. You will have to pay extra if you must go to the nursing home wing. If you can afford it, buy long-term insurance, which covers assisted living and nursing home care. A healthy 55-year-old male would pay \$1,900 annually for a policy paying \$150 a day for up to five years (after a 90-day waiting period). Most offer spousal or partner discounts of 15% to 20%. If you wait until age 70, the annual premium is much higher: Now it's \$5,200. Make sure you get a policy that has a cost-of-living adjustment; 5% per year is typical.

You pay premiums until you die or cancel the policy. You might want to opt for a ten-year paid-up policy. A 55-year-old male would pay \$5,500 a year for that \$150, 90-day, five-year policy. A 55-year-old business owner could stop paying premiums at age 65 and in some cases can deduct the premium as a business expense, says LTC Connection, a long-term care research firm.

Have an attorney examine the policy to make sure it covers assisted living. In New York State, General Electric Capital Assurance sold long-term care insurance, saying it would pay for room and board at assisted living centers. But when Elbert H. Van Houten sought reimbursement in 2001, GE refused on the

grounds that his building was not "licensed" for assisted living which the state didn't do at the time (it since has started). In 2004 AARP joined Van Houten's estate in filing a suit claiming GE had engaged in deceptive business practices. The suit has since been settled and the claim paid.

AARP officials say problems with the definition of assisted living and what is covered continue nationally. Buyers should be on guard. Some homes are "approved to operate" but not "certified" or "licensed," leading to disputes over coverage.

On-premises care. Ask assisted living residents about the quality of medical care outside the nursing home. A big plus: at least one nurse on staff—and the operation should have relationships with physicians or a hospital. A May 2005 National Senior Citizens Law Center nationwide survey of assisted living found 20 states require a nurse be available, but in some cases availability by telephone satisfies the requirement.

Are the nurses licensed? In 21 states non-nurses are permitted to perform tasks reserved for nurses, like dispensing medication.

Residents can tell you how good the nurses are.

Residential units. Balance is a worry for many old people, and falls can be catastrophic. Apartments should have grab bars next to the toilet and in the shower. There also should be panic buttons throughout to alert the staff if you are in trouble.

Some units have kitchens, so if you still can cook, you might want to give yourself a break from the dining room fare, which often is nutritious but bland. You may want to entertain; part of the assisted living experience is socializing with others. Some buildings have no stoves, for fear that residents with dementia will start a fire.

Resident oversight. The scary scenario is that you become unconscious before you can hit a panic button. A good building has a system to check up on you every day. Some require you to come to the lobby for your mail and flip a switch above your box. If you don't show up, the staff will phone you. And if you don't pick up, they come to your apartment.

Transportation. Since many old people can no longer drive they need help to get to their doctor, to go shopping or for other errands. Your building should have a van that ferries you off-premises for these chores. Don't sign up for a home that offers no more than the number of a taxi company.

What if you run out of money? Costs vary considerably by region, from a low of \$1,642 per month in Jackson, Miss., to \$4,629 in the Boston area. But usually if you can't pay the monthly freight, out you go. Find out what your building's policy is on evictions, like what kind of grace period there is.

Know your legal rights. The management often has a great deal of discretion that can be exercised to a resident's benefit or detriment. If your health conditions worsen, some centers will give you 30 days to vacate the premises and go live in the nursing home. Eric Carlson, attorney with the nonprofit National Senior Citizens Law Center, recommends that you get everything in writing at the time of admission, especially promises about medical care.

**COSTS VARY
WIDELY BY
REGION
FROM \$1,642
PER MONTH
IN JACKSON,
MISS., TO
\$4,629 IN
BOSTON.**





THE ALL NEW 7-PASSENGER JEEP COMMANDER

3rd Row Stadium Seating | CommandView™ | Dual Skyview™ | 3.7L HEMI V8 | Electronic Stability Program | Quadra-Drive II



Jeep

Healthy Planning

Thinking about retiring early? Get health insurance first. By Carrie Coolidge

HELEN L. MODLY SHUDDERS AT the thought of health insurance options for her clients who dream of early retirement. "It is a huge, ugly problem," says the fee-only planner in Middleburg, Va. "People are delaying their retirement just because of it."

Though the standard age for retirement is 65, only 64% of people age 55 to 64 are employed. The other 36%, not yet eligible for Medicare, either have to be married to someone with employer health insurance or have to scramble to find coverage. The scrambling is occasioned by two things. One is that, even for healthy people, medical insurance is fearfully expensive. Employers have seen their costs climb 63% over the last four years, says personnel consultant Towers Perrin, and will spend an average of \$14,500 next year on insurance for a family of four. The other is that individuals trying to buy insurance on their own confront a difficult marketplace whose providers don't particularly want their business, especially if they have a preexisting medical problem.

COBRA

If you lose or quit your job, by law you will be entitled to continue to participate in your employer's group health benefits plan, at your own expense, for 18 months. The benefit is called Cobra after the federal law that mandated this option. "Choose this only as a very last resort," says Paul Zane Pilzer, author of *The New Health Insurance Solution* (John Wiley & Sons,

2005). "It is expensive and it is temporary. If you develop a health condition while on it, you could be prevented from getting permanent affordable health insurance."

So, use Cobra to tide you over while you hunt for a long-term solution. What you need is an individual (as opposed to a group) policy that is guaranteed renewable. This means that if you develop cancer later, the insurer can't throw you out. However, you probably can't get in if you have cancer or any other costly ailment when you apply.

This is what James Smith, 55, did two years ago after he and his wife, Sei Yuen Chak, 55, left jobs at a printing company. They continued under their former

employer's policy, which had a monthly premium of \$1,012 to cover them and dependent nephew, 14, while searching for a new plan with lower premiums. Through the Web site of Ehealthinsurance in Mountain View, Calif. they found a Blue Cross/Blue Shield of California plan at \$790 a month. It's not a deluxe plan: This "preferred provider" deal steers them to doctors that they might not have picked on their own. But buying health insurance can't be too picky these days.

INDIVIDUAL POLICIES

The strategy for most early retirees is similar to that ultimately used by the Smiths—buying an individual policy, if you are



SONY®

DEFEND YOUR EMPIRE FROM VIRTUALLY ANYWHERE.



Sony recommends
Windows® XP Professional.

WIRELESS BEYOND HOTSPOTS. AT LAST.

Takeovers foiled. Competitors denied. The new Sony® VAIO® TX is your mobile edge against the unknown. Its integrated wireless Wide Area Network (WAN) technology* lets you go on-line virtually anywhere the Cingular Wireless national EDGE network is available. So should the unexpected strike, it's nice to know the ultra-portable VAIO TX lets you defend your empire from just about anywhere.

877-339-7669 sony.com/vaio-tx1

 **cingular**
raising the bar. 

VAIO®

like.no.other

in select models. Subscription with Cingular Wireless required. See www.sony.com/cingular for complete offer details, price plans, service terms and conditions and coverage map. Call reserved. Sony and VAIO are registered trademarks of Sony. Windows is a registered trademark of Microsoft Corporation. Cingular Wireless is a registered trademark of Cingular Wireless LLC 2005

healthy enough to qualify for a reasonable rate. That means normal blood pressure, no diabetes, no cardiovascular disease, no cancer and so on. You will be examined by an insurer-approved physician.

Most people considering early retirement should stop participating in their group health insurance plan, if they have one, when they are healthy, says Pilzer. Instead, buy your own policy. Your employer might chip in toward the cost (some employers give cash rewards to employees who opt out of the company plan after showing evidence of alternative coverage). You will still be paying out of pocket, but the investment is worthwhile if it gets your foot in the door. Canceling your policy based on health status is prohibited in the majority of states as long as you pay your premium, but the cost can be increased annually to account for inflation and your age. To keep the premium down, raise the deductible every year, recommends James Oatman, chief actuary for Assurant Health, an insurer.

"Lock in a base rate when you are young and healthy," says Pilzer. "Everyone should have an individual policy. The time to get it is when you don't need it." The leading issuers of individual health plans are Assurant, Blue Cross/Blue Shield, Humana, Golden Rule and Aetna.

PREEXISTING CONDITIONS

A preexisting condition is likely to make a policy a lot more expensive (rates potentially double the standard ones) or simply unobtainable. Some health insurers may be willing to accept preexisting conditions that others will not, says Robert S. Hurley, vice president of strategic operations at Ehealthinsurance. People denied coverage because they are sick can usually get a policy from a state assigned-risk pool. Thirty-three states have risk pools, with coverage for an individual ranging in cost from \$2,064 a year in Georgia to \$11,424 in Indiana. Most of the rest of the states force insurers to accept all comers, albeit at stiff rates; an unhealthy individual's rate can be 15% to 200% higher than a healthy individual's of the same age.

HEALTH SAVINGS ACCOUNTS

If you are healthy and thinking of retiring early, consider starting a health savings account. HSAs, a new feature of federal tax law, are coupled to high-deductible health insurance policies. You put tax-deductible money into the HSA, same as you would into an IRA (until age 65). Tax-free withdrawals can be made anytime to pay medical bills, but your objective is to leave as much money as possible in the account to compound tax free and be there for medical costs as you get older. The amount you (or your

employer) can put into the account is equal to the deductible on the insurance policy, up to a ceiling. In 2006 that ceiling will be \$5,450 for a family policy. You will be able to throw in another \$700 a year if you are over 55.

High-deductible plans have another advantage: They tend to be more lenient when it comes to a preexisting condition, says Hurley of Ehealthinsurance.

HSAs are very unlike the use-it-or-lose-it flexible spending accounts that have been around for years. On the contrary, the whole idea is to save for doctor bills in your golden years. So instead of tapping the account for a \$500 doctor bill today, pay the bill out of other funds and let the HSA grow. But hang on to that \$500 receipt. Since there is no time limit on reimbursements, says Pilzer, you can reimburse yourself out of that account decades later, after the money has compounded tax free.

SHORT-TERM POLICIES

An early retiree who will turn 65 less than a year later should buy a nonrenewable short-term health insurance policy. A nonrenewable short-term policy costs approximately 25% of what a renewable policy would cost for the same time period, and the insurer won't be very fussy about your health. If you retire at 63, take the Cobra plan, then go to a short-term policy that will last you until you are on Medicare.

One thing is for sure. Going without insurance is not an option. Last year more than half of all personal bankruptcies in the U.S. were prompted by medical problems, according to a joint study conducted by professors at Ohio University and Harvard. The revised bankruptcy bill that went into effect in October will make it even more difficult for families to pursue bankruptcy to wipe out their medical debts, according to Stuart Gollin, head of the bankruptcy and solvency practice at accounting firm Weiser LLP.

The bottom line is simple, warns Gerry T. Smolka, senior policy adviser at AARP's Public Policy Institute: "If people don't think and plan ahead, they may find themselves with some nasty surprises."

What to Do if You Are Self-Employed

People who are self-employed face the same dilemma as early retirees—the burden of getting health insurance in place is on their shoulders. The solution for healthy self-employed individuals is simple, according to author Paul Zane Pilzer. These folks should buy a high-deductible individual or family policy that is qualified to be paired with a health savings account, he says. "No one should ever go without health insurance, especially since it has now become affordable for most working people," says Pilzer.

The national average price for an HSA-qualified high-deductible plan is \$92 a month for a single person and \$272 a month for a family plan. Even better, says Pilzer, is that self-employed individuals can deduct the entire cost of health insurance premiums from their taxable income. "So your aftertax cost will be even less," he says. Pilzer recommends self-employed people open an HSA and make the maximum tax-deductible annual contribution.

If you are self-employed but you or a family member has a preexisting condition, explain this to your insurer. A policy provided by a private insurer or from your employer may be more likely to accept you. If you are the head of the family, you may apply for a family policy.

—C.C.

500 shares of stagnant.
250 shares of rudderless.
1000 shares of dwindling.
3 words of advice.

**TALK TO
CHUCK**

charles **SCHWAB**

Schwab Equity Ratings.® How do I steer clear of a portfolio like the one above? How do I decide sell or hold? Avoid stock ratings based on personal opinions and rely on the precision of Schwab Equity Ratings. Schwab's rigorous approach rates approximately 3,000 stocks based on measurable, real-life factors like risk, momentum and valuation analysis. More importantly, our A-rated stocks have consistently outperformed the S&P 500[®] Index.¹ Log on, drop in or call.

SCHWAB.COM 1-800-4SCHWAB

Schwab Equity Ratings and stock lists or models are not personal recommendations for any particular investor and do not take into account financial, investment or other objectives and may not be suitable for any particular investor. Before buying, investors should consider whether the investment is suitable for themselves and their portfolio. Additionally, investors should consider any recent market company news. Stocks can be volatile and entail risk, and individual stocks may not be suitable for an investor.

¹the average of all 52-week periods. Performance is hypothetical, not actual, and does not reflect market-trading factors such as limited trading liquidity. Past hypothetical performance is no indication of future results and no indication of what an investor would realize in relying on Schwab Equity Ratings. Performance of a single stock or of stocks within a Schwab Equity Ratings model performance cohort can vary greatly from the performance of that cohort. The S&P 500 Index is a capitalization-weighted index of the 500 largest U.S. companies and treats dividends as reinvested. The Cohort (group of "A" rated stocks and group of "B" rated stocks) performance is based on the performance of each stock as equal weighted, and dividends are not reinvested. Indices are unmanaged, do not incur management fees and expenses and cannot be traded directly. ©2005 Charles Schwab & Co., Inc. All rights reserved. Member SIPC. (0905-8112) ADS33109FUL

TERRY R. HORN VERY NEARLY CALLED A PRIVATE DETECTIVE before investing with John H. Whittier in November 2004. But then he thought, "Why bother?" The promising young hedge fund manager had all the right credentials—UC, Berkeley graduate and onetime analyst at Donaldson, Lufkin & Jenrette. His father was a former executive at Intel who could give Whittier the scoop on promising high-tech stocks. Besides, Horn was giving Whittier only \$3 million, just a slice of the \$130 million in the cash account at PNM Resources, a utility in Albuquerque, N.M., where he is acting chief financial officer.

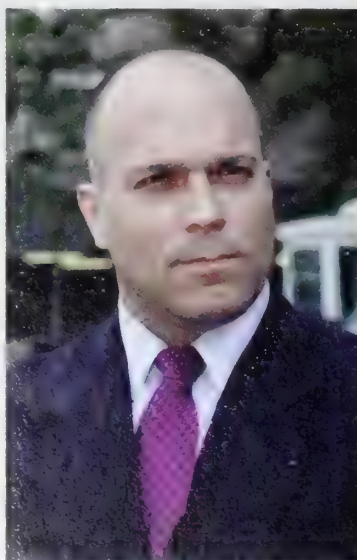
Still it stung when he learned he'd been had. On Oct. 7, 2005 Wood River Capital Management, Whittier's hedge fund firm, disclosed that it owned 40%—4.3 million shares—of Endwave Corp., which makes wireless transceivers and whose price had plunged 74% between July and September. Horn freaked and tried to pull out his money. No dice. Days later the Securities & Exchange Commission sued Whittier, accusing him of betting more than 65% of his hedge fund on a single risky tech stock, which the agency claimed violated promises that the fund would be broadly diversified and not concentrated in "an extraordinary position in one small-cap stock." (Through his lawyer, Whittier insists he didn't defraud anyone.) Among the red-faced investors who got scorched was an unnamed client of BNP Paribas who tried unsuccessfully to yank \$49 million from Wood River before it collapsed into receivership. "We went into it knowing these things are risky," says Horn, who claims a 17% annual return on his hedge fund investments, including the Wood River wipeout. "Sometimes some of them go wrong."

Sometimes unnecessarily. There were plenty of signs that Whittier was skating close to the edge; a little due diligence would have unmasked his unpaid taxes and the lawsuits accusing him of failing to pay for securities his fund had purchased. Yet, like Horn, investors focused on Whittier's credentials and family connections. How could he have failed them? "He was part of the information network, and people thought that would translate into returns," says Richard Klitzberg, a hedge fund consultant who was familiar with Whittier's pitch but didn't represent the fund.

What makes smart investors so dumb?

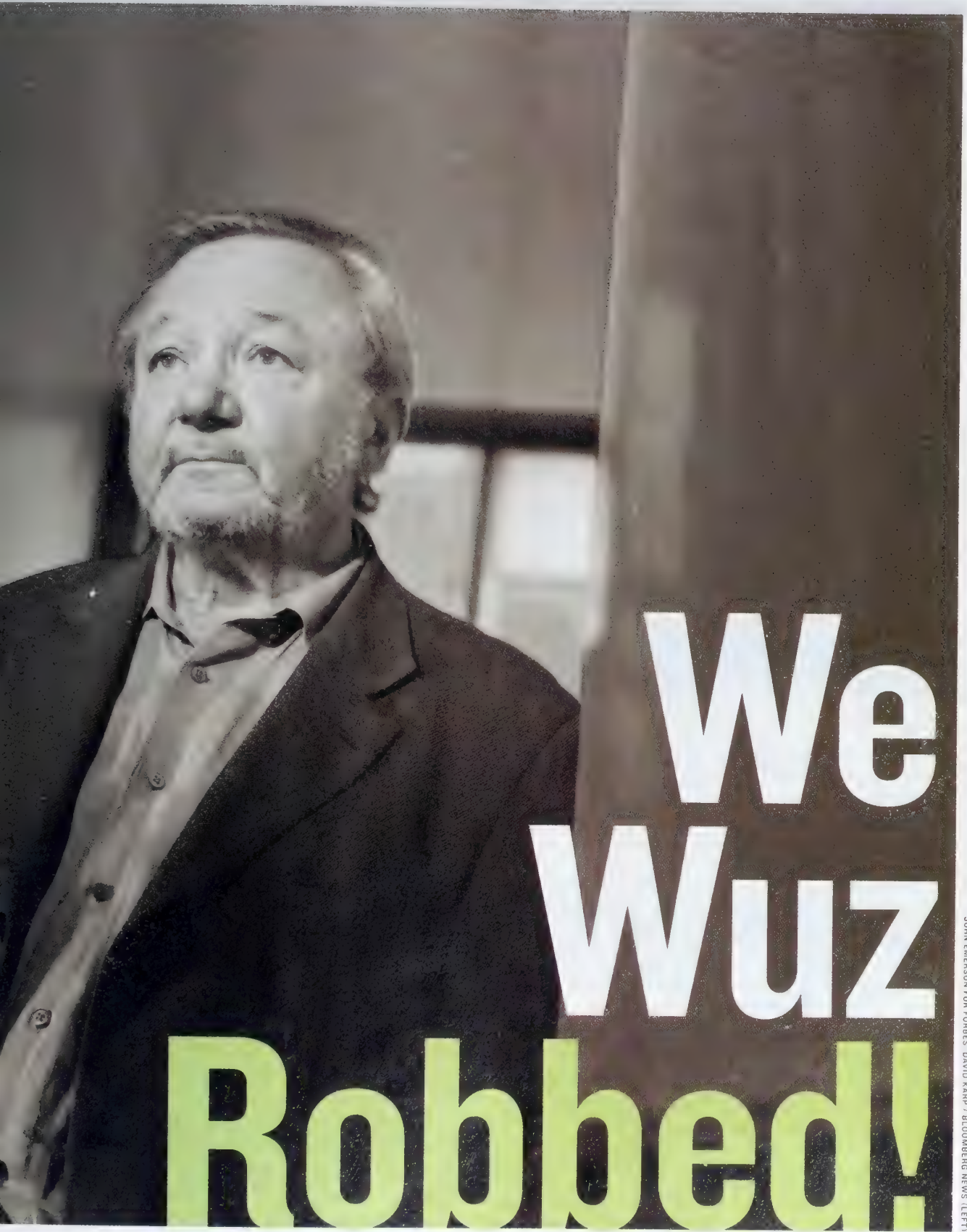
Greed, of course. They wouldn't be in this game if they didn't hope to rake it in. But we're talking about sophisticated investors who rarely take people—or balance sheets—at face value. Avarice alone can't explain why so many of them fall for flimflammy, from hedge funds and secretive offshore commodities pools to ordinary Ponzi schemes. How, for example, could a buyout artist like Thomas H. Lee be taken in by Phillip Bennett, the Refco chairman eventually caught hiding (so say prosecutors; Bennett denies the charge) \$430 million in bad debt?

A certain predisposition to folly is hardwired into the human species. Decision making means processing an immense amount of data, and so the brain takes shortcuts. "Authority, scarcity, consensus, social proof—these are relatively primitive decision-making strategies we deploy," says Robert B. Cialdini, a professor of psychology at Arizona State University and author of



Feeding off each other: Todd Elberhardt (left) had the scam; Robert Pollegioni wanted higher returns.

Why the smart



We
Wuz

Robbed!

JOHN EMERSON FOR FORBES. DAVID KARP / BLOOMBERG NEWS (LEFT)

ors make the dumbest decisions. By Daniel Fisher with Lisa Goldman



Influence: Science and Practice (Allyn & Bacon, 2000). In other words, we're all susceptible to suggestions by influential people; we gravitate to something if it seems to be unavailable to everyone else, and we trust strangers who appear to be like us.

How well do these "weapons of influence" work? One of Cialdini's students ran an experiment in which customers of a meat wholesaler were exposed to three different stories: The first group heard the standard sales pitch about high-quality meat; the second, that beef prices were rising because of a drought in Australia; the last, that the wholesaler heard from a confidential source within the Australian weather service that a drought was expected and that could drive up beef prices. Orders from the third group were six times those of the first. The perception that somebody has the inside track "creates this irrational desire to jump at what's scarce or rare," Cialdini says.

PEOPLE LIKE US

One of the most effective—and potentially dangerous—shortcuts is relying on someone's family background and pedigree as proxies for reliability. Investors in Samuel Israel III's Bayou Management learned that painful lesson when the hedge fund turned out to be little more than a vehicle for Israel to squander money on bad trades and personal expenses.

John Mauldin played cheerleader to Bayou Management; Samuel Israel III pleaded guilty to fraud and conspiracy.



brokerage, to Donaldson, Lufkin & Jenrette in 1981. "His family was legendary in the business," says John Mauldin, president of Millennium Wave Investments in Arlington, Tex. and once a cheerleader for Israel's fund because he liked Israel's investment style. Mauldin helped promote Bayou with a glowing profile in his client newsletter in 2002 that called Israel "a winner, one of those guys who are driven by the love of the game." A lot of folks fell for it, including advisory firms like the Hennessee Group.

And yet, there were red flags everywhere. Israel claimed he had been "chief trader" for money manager Leon Cooperman when he was, in fact, little more than an order-taker. Randy Shain of First Advantage CoreFacts, which investigates money

A Tulane University dropout who had worked at several money-management firms, Israel hardly had the qualifications to run a \$450 million hedge fund (prosecutors are still trying to determine how much money he took in). But he had something even more valuable than job experience in the clubby world of finance: his name. Israel's relatives were well-known traders in New Orleans and New York who had sold ACLI, a large commodities

BEWARE

OF EXPENSIVE IMITATIONS.



Power E*TRADE for Active Traders

- * \$6.99–\$9.99 flat commission per stock and options trade¹
- * 75¢ per options contract
- * New Power E*TRADE Pro now compatible with Mac OS X
- * No fee, customizable trading platforms

Challenge the ordinary.

Be E*traordinary



E*TRADE
FINANCIAL

Get 100 commission-free stock and options trades.²
Call 1-800-731-5226 or visit getpoweretrade.com

Details and important information about Power E*TRADE, please visit getpoweretrade.com.

To qualify for \$6.99 stock and options commissions & a 75¢ fee per options contract, you must execute 500 or more stock or options trades per month. To qualify for \$7.99 stock and options commissions & a 75¢ fee per options contract, you must execute 50–499 stock or options trades per month. To qualify for \$9.99 stock and options commissions & a 75¢ fee per options contract, you must execute 10–49 stock or options trades per month or maintain a balance of \$50,000 or more in combined E*TRADE Securities and E*TRADE Bank accounts or maintain less than \$50,000 in linked E*TRADE accounts. Account must be opened by December 31, 2006.

Response and account access times may vary due to a variety of factors, including trading volumes, market conditions, system performance, and other factors.

Products and services are offered by E*TRADE Securities LLC, Member NASD/SIPC.

© E*TRADE FINANCIAL Corp. All rights reserved.

managers for institutional investors, punctured that myth with a single phone call to Cooperman in 2001. "The fact that he got any money in the beginning is hard to believe," says Shain.

Some investors were gulled by the steady returns. Israel drew in more money by claiming he was getting 17% a year through rapid short-term trades. "That was singing the song I wanted to hear," says Denver lawyer John Siegesmund III, who put \$250,000 into Bayou in early 2003. "If they'd said 50%, I would have run like a scalded cat."

Israel was making up the numbers. He and an associate pleaded guilty to fraud this fall after regulators seized Bayou's last \$100 million as Israel was on the verge of gambling it on a fanciful international lending scheme.

FRIENDS IN NEED

How about trusting a buddy with your money? That's how Thomas Frame lost \$4 million in a \$330 million pyramid scheme run by his pal and onetime business partner, James Hillman, a pillar of the Oakland, Calif. Jewish community who formed a real estate lending operation called PinnFund with Michael Fanghella. It invested in preapproved subprime mortgages that could be flipped quickly to a bank to produce a 17% annual dividend to investors. In fact, the fund was using lines of credit to buy mortgages and was losing money, paying out old investors with new investor contributions—and diverting funds to the two partners. Fanghella was sentenced to ten years, plus restitution of \$234 million. Hillman pleaded guilty to wire fraud and awaits sentencing.

At first Frame had no reason for suspicion. He'd known Hillman for 25 years, and they had vacationed together with their wives in Vermont; each served as trustee for the other's children. "There was a lot of cocktail talk" about PinnFund, Frame says. Without hesitation, he kicked in \$200,000 in 1996, and kept upping his kitty. PinnFund's consistent returns raised an eyebrow. "You'd think there would have been some months of a downturn," Frame says.

He grew concerned that PinnFund was growing too quickly: If those subprime loans blew up, wouldn't his investment be vulnerable to creditors? Frame, who was buying and selling securities and once ran a real estate syndication business with Hillman, hired an accounting firm to study the business. But when the firm tried to interview PinnFund employees, Fanghella always insisted on being present, saying he was protecting the firm's proprietary interests.

Frame's anxiety turned to panic when he checked out Hillman's stunning claim that PinnFund had processed \$8 billion in subprime mortgages in 1999. Digging further, Frame found a report on the Internet that PinnFund had done only \$700 million worth of loans that year. He phoned Hillman, who told him the fund had processed \$700 million a month in business. Tormented by the discrepancy, Frame began sending letters to low-

Stop That Broker

income borrowers who supposedly had mortgages in which PinnFund had invested—and found that some customers didn't exist. "I was sweating bullets," he says. "I still thought, 'There's got to be a [logical] answer,'" Frame says, but he asked for half his money back in December of 2000 anyway. The SEC shut the fund three months later, before he could recover a dime. "I take responsibility for my own stupidity," Frame says.

Could he have stopped himself? "At some point everyone becomes committed, when we go over the line, and we're part of this and we have to make it work," says James Byrne, professor of commercial law at George Mason University. "Once I have put my life savings into this thing, I'm saying, 'Dear God, it can't go wrong.' Then you're in denial."

PEER PRESSURE

Stepping over that line is easy when you fall into the trap of conformity. Cialdini's research has shown that hotel guests are 27% more likely to comply with requests to reuse bath towels, for example, if there is a sign suggesting that previous occupants of that same room did the same, instead of one that simply makes a plea for the environment. "You follow the lead of people like you," Cialdini says.

Money managers are not that different. Michael Lauer's Lancer funds sucked in more than \$1 billion from investors like the Edmond de Rothschild bank in France and Luxembourg (\$11 million), Kuwait & Middle East Financial Investments (\$25 million) and AXA Group (\$14.8 million). In a 2003 suit the SEC accuses Lauer of investing in dicey pink-sheet stocks and manipulating their value by buying large blocks just before the close of each month.

Lauer's biggest haul came from the insular French-speaking business community in Quebec, where investors lost more than \$300 million. None of those investors would comment on the



Reward yourself

Reward is one of the reasons most frequently given for buying a Rolls-Royce Motor Car. While customers vary widely in age, background, education and occupation, they all have one thing in common. Success. They are the best at what they do and they have excelled in their chosen field. Now, at the top of their game, they can take the time to do something for themselves. For some, it is that enduring symbol of success, a Rolls-Royce. To understand why the world's most successful people have made Rolls-Royce their choice, experience one for yourself.



1885

Authorized Rolls-Royce Motor Cars Dealer

Atlanta, GA Bellevue, WA Bethesda, MD Beverly Hills, CA Clearwater, FL Dallas, TX Dublin, OH Fort Lauderdale, FL
Greenwich, CT Houston, TX La Jolla, CA Las Vegas, NV Los Gatos, CA Miami, FL Newport Beach, CA New York, NY
Northbrook, IL Orlando, FL Palmyra, NJ Parsippany, NJ Pasadena, CA Raleigh, NC Rancho Mirage, CA Sewickley, PA
Scottsdale, AZ Troy, MI Wayland, MA Westhampton, NY West Palm Beach, FL

Visit www.rolls-roycemotorcars.com or call 877.877.3735

© 2005 Rolls-Royce Motor Cars, Inc. All rights reserved. Rolls-Royce is a registered trademark of Rolls-Royce Motor Cars, Inc.

record, but the chronology is clear from a lawsuit against PricewaterhouseCoopers and Banc of America Securities, which investors accuse of abetting Lauer's alleged scheme. (Lauer, who is representing himself in the litigation over his fund, says he didn't do anything wrong.)

The connecting thread is the Université de Montréal, where many of Canada's business executives were trained and still teach classes. A portfolio manager there named Germain Bourgeois first recommended Lancer in 1998, and the university and an affiliated school eventually sank \$83 million into the fund. Bourgeois then left to work for cable-television magnate André Chagnon, who invested another \$137 million between family accounts and his private foundation. Bombardier put in \$68.5 million from various pension accounts, and the National Bank of Canada and a large association of credit unions invested \$10 million apiece. Bourgeois—who later served on Bombardier's investment committee and now advises the Tremont Capital Opportunity Trust, a hedge fund of funds—says he was misled by Lauer's seemingly high returns.

That so many investors followed the university's lead is no surprise to Klitzberg, the hedge fund consultant who also lost money in Lauer's fund. "There's a lemming effect," he says. Once money managers hear a colleague has invested, "they tend to think most of the [due diligence] work has been done."

IT'S WHO YOU KNOW

Thanks to a successful graphic design business in New York City, Robert Pellegrini had built up a net worth of \$12 million, including a winery on Long Island. In April 1999 his personal trainer at a SoHo gym introduced him to a stockbroker named Todd Eberhard. Eberhard was a frequent guest on CNBC and on CNN's *Lou Dobbs Tonight*, and claimed to be investing for Steve Jobs and Donna Karan, and a friend of Michael Bloomberg. The trainer boasted about the 20% returns Eberhard was generating with his trust fund; Pellegrini was intrigued. "I was getting 8% to 9% from my broker," he says. "I started to give him some of my money, and eventually I gave him all my money."

Meeting at monthly "cheeseburger lunches" with Eberhard, Pellegrini discussed everything from investment theories to his mother's farm, which sold venison to the same restaurants that bought Pellegrini's wine. Pellegrini got monthly statements from PaineWebber and later Pershing that indicated his account was declining; at the same time Eberhard, he says, was showing him phony statements that indicated his account was growing.

But he grew suspicious after spotting a \$250,000 investment in a hedge fund called Stone House, instead of the millions of dollars he says Eberhard claimed he had invested in the fund. He called Eberhard and got a rambling explanation. Then in February 2002 Pellegrini got a more revealing call from the U.S. Attorney's Office in New York. The prosecutor said Eberhard was a polished swindler who had blown most

of his investors' money on personal expenses.

Why did Pellegrini hand the cash to Eberhard rather than to a well-known bank or brokerage firm? Especially since it is so easy to set up a brokerage account that gives a stock picker the right to make trades but no ability to make withdrawals (see box, p. 170).

Pellegrini lost \$8.5 million in the scam. Last June, after pleading guilty to 11 counts, Eberhard was sentenced to 13 years in prison.

THE LAST ONE IN

Another powerful draw: the fear of getting left behind. Experiments have repeatedly shown that people—even professional currency traders—bid up investment prices to insane levels if they believe somebody else will pay even more. "In the short run it is rational to go with the crowd" and get in early, says Uri Fischbacher, economist and game theorist at the University of Zurich's Institute for Empirical Research in Economics.

But in the long run it's a prescription for asset evaporation. Kenneth Londoner was a respected former fund manager with J.W. Seligman & Co. when he launched Red Coat Asset Management, which ran multiple hedge funds, starting in 1997. Soon he claimed to have more than \$950 million and was boasting returns of 37% a year. "What drives it is word of mouth," says New York hedge fund manager who bought into Red Coat but sold out before many of his friends did. "Once a person with a good reputation recommends it, it spreads like wildfire."

Soon word of Londoner's hot hand got out to retail investors. Despite a December 2000 article on *TheStreet.com*, in which Londoner admitted to having a "challenging" year—it turned out later

that his investments were down 70%—CIBC Oppenheimer promoted a new Red Coat fund in its Los Angeles office in early 2001, in part because Londoner promised to double its sales commission take from Red Coat. (That agreement is detailed in memos cited in a lawsuit accusing CIBC of promoting Red Coat without proper investigation; CIBC denies this.)

Murray Gomer, a retired attorney and CPA, didn't want to be the last guy in. He invested \$200,000 in early 2001 on the advice of his broker, adding \$50,000 in October after Red Coat reported a 65% monthly return—startling for a fund that supposedly held a balanced mix of long and short positions. Gomer is an experienced investor, but he missed the improbability. The eye-popping return

came from a heavily leveraged bet on a single high-tech medical company, E-Medsoft.com, which went bankrupt in 2002.

"Other people who were smarter said, 'If they're up 65% there's something wrong,'" Gomer says now. One of those smarter people, according to a letter cited in the CIBC lawsuit, was the manager of its Los Angeles office, Richard Wiseley. He pulled his \$100,000 out of Red Coat, in violation of a one-year lock-in agreement, at the same time that Gomer was putting more money in.

Gomer was relatively lucky. He and nine other investors sued CIBC Oppenheimer and recovered \$3.6 million, or 70% of the losses. As for Londoner, he is now a director of finance at Charleston, S.C. port security company.

"OTHER PEOPLE WHO WERE SMARTER SAID, 'IF THEY'RE UP 65%, THERE'S SOMETHING WRONG.'"

...ing Jim Cryle MASTER DISTILLER for his *PREFERRED* whisky
is like asking a father to play FAVORITES. In this case,

THE GLENLIVET.

EIGHTEEN is FIRST in line for the INHERITANCE.

For 18 years it is especially HARD to
o. Time and again JIM CRYLE
to the CHALLENGE. He watches
whisky MATURE for eighteen years,



then sends each BOTTLE into the world.
Selfless actions from a selfless man, all
so you can taste the EXCELLENCE that
is the SINGLE MALT that started it all.

SINGLE MALT SCOTCH WHISKY

GUARANTEED **18** YEARS OF AGE



THE SINGLE MALT THAT STARTED IT ALL.

Bank on It

CDs are a better deal lately. In rare cases they outshine U.S. Treasury bills. *By Daniel Kruger*

NOT LONG AGO YOU WERE LUCKY TO GET 1% FROM A bank certificate of deposit. Then in June 2004 the Federal Reserve began its slow and inexorable regime of rate increases. Now the average six-month CD pays 3.44% annually. That still lags behind the yield on U.S. Treasuries, but the average is only an average.

Some bank CDs pay a bit more than Treasury paper of the same maturity. The best-yielding six-month bank CD was, as of mid-November, yielding an effective 4.47%. That beats the T bill by 8 basis points (a basis point is one-hundredth of a percent). For a \$100,000 investment the yield advantage is worth \$80 a year. If such microscopic sums get your pulse racing, take some advice before proceeding.

Know that "yield" can mean different things. At the Nov. 17 auction the six-month T bill went for a nominal 4.2% yield. This number is warped by two peculiarities of bill accounting. One is that, in antiquated fashion, the Treasury Department issues bills on a discount basis (the coupon is subtracted from the purchase price rather than added to the maturity value). The other is that the gnomes in Washington work with an imaginary 360-day year. These two factors add 15 basis points to your return. The sum, 4.35%, is shown on the Web page of the Bureau of the Public Debt as an "investment rate."

But that's not all. Since the owner of a 182-day bill gets to reinvest slightly more than twice a year, there's a 4-basis-point boost from compounding. The effective annual yield on this bill comes to 4.39%.

Banks indulge in neither the 360-day fiction nor the discount calculations. But they do monkey with compounding frequency. The winner in the six-month competition, KeyBank of Cleveland, was quoting 4.37% with daily compounding to yield a net 4.47%.

Shop around. Start by visiting bankrate.com.

The best value is in two-year CDs, says Gary Schatsky, a New York fee-only financial planner. M&T Bank in Buffalo, N.Y. offers an

effective 4.87% yield; two-year Treasuries trade at 4.44%.

Watch state taxes. The T bills are exempt, the CDs not. A state income tax could easily knock 20 basis points out of your return, even if you are in a position to deduct state taxes on your federal return. Not a problem, however, if you live in a place like Texas or are investing in an individual retirement account.

Beware of bank failures. T bills are safe; CDs in amounts over \$100,000 aren't. Big savers should work through stockbrokers who

can carve large sums into \$100,000 CDs at separate institutions.

Consider convenience. You can go to a bank and get Treasury paper directly from a Federal Reserve bank at no overhead cost, but it may not be worth the trouble. Cashing out on short notice would not be easy.

Alternative: Have your broker place your bids at the Treasury auctions.

Charles Schwab & Co. will do this for \$55. That knocks 15 basis points out of a \$100,000 position in six-month bills.

As for the bank alternative, you don't want to be taking up an afternoon every six months wiring money around the country. Buying through a stockbroker is probably a good idea, but then you won't necessarily get the best rates quoted at bankrate.com. On Nov. 16 Fidelity's best two-year CD, from McFarland State Bank in McFarland, Wis., had an effective annual yield of 4.7%.

Get the maturity you want. The last time the Treasury auctioned two-year notes was in October. If you don't want to wait for the next auction, you'll have to buy in the open market. That means getting nicked for a bid/ask spread. How much depends on how good a haggler you are, yet figure \$200 on a \$100,000 note. That takes 15 basis points out of a two-year, assuming you hold to maturity.

In CDs you can find oddball maturities like 4 months or 18 months, says Andrew Wrobel, a fixed-income expert with Fidelity. You can tailor these unusual periods to store money poised to pay an expected bill like college tuition.

Consider liquidity. Treasury paper can always be sold on the open market at a short notice (if it's in your brokerage account). Cash in on a CD early and the bank could take three months of interest (100-plus basis points) out of your hide. Usually a broker can sell a CD before it's due at something close to a fair price, minus a commission of 20 basis points or so.

One plus: Should a CD holder die, most banks will cash out the instrument for heirs and skip penalties.

**AN AVERAGE
CD'S YIELD
WILL STILL
LAG BEHIND
A TREASURY
SECURITY'S.**

CDs or Treasuries

The best-yielding certificates of deposits versus Uncle Sam's paper.

	TREASURY YIELD	YIELD	TOP CD ISSUING BANK
3 months	4.04%	4.25%	Landmark Bank, Ft Lauderdale, FL
6 months	4.39	4.47	KeyBank, Cleveland, OH
2 years	4.44	4.87	M&T Bank, Buffalo, NY
3 years	4.46	5.13	InterState Net Bank, Cherry Hill, NJ

Sources: bankrate.com; Bloomberg.



EQUITIES | FIXED INCOME | GLOBAL CLEARING | INVESTMENT BANKING | WEALTH MANAGEMENT |

A company is known by the clients it keeps.

**Maybe that's why we were voted America's
Most Admired Securities Company.**

Some of the largest companies in the world recognize the value delivered by Bear Stearns. We were voted No. 1 Securities Company in the Fortune® magazine "America's Most Admired Companies" survey† twice in the past three years. The secret to our success is no secret. It's our people — their skill, dedication and entrepreneurial spirit have been building value for clients for over 80 years.

**A great deal depends on
working with the right people.®**



More Than Riots and Taxes

Old Europe's not cold. Europe. Stocks are hot. Here's how to find remaining bargains.

By Heidi Brown

NOVEMBER'S FRENCH RIOTS SEEMED to bring together everything that should make investors shy off western Europe: intractable unemployment, ethnic conflict, sputtering growth rates, aging populations and vertiginous taxes. But Robert Lyon, a charmingly irreverent money manager based in Chicago, sees beyond all that.

It's not just that this has been a banner year for European stocks. The MSCI Europe index is up 16.6% this year in local currency terms (and 1.8% in dollars) versus 1.6% for the S&P 500. The 55-year-old head of Institutional Capital Corp. and manager of its \$125 million International Fund says Europe offers well-run companies with good earnings growth—but at lower prices than their U.S. counterparts.

One familiar name among his 34 holdings in Europe and Asia is Cadbury Schweppes. The \$13.3 billion (2005 sales) New York-listed U.K. beverage and confectionary conglomerate has strong-growth soft drink and chewing gum businesses and owns well-known U.S. brands like 7 UP, Dr Pepper, Dentyne



ICap's Rob Lyon: looking where others do not.

and Trident, and popular non-U.S. ones like Maynards. It trades at 15 times estimated 2006 earnings, Lyon says; PepsiCo's corresponding number is 20 and Wrigley's 26.

Lyon's trick is to find European stocks (and a few Japanese ones) that aren't as well covered by analysts as are their U.S. peers. He has found a sufficient number with market caps of at least \$2 billion on which his International Fund has returned 9.2% a year over the last five years, six points better than the MSCI EAFE index (which blends Europe with Asia).

Royal Philips Electronics fits Lyon's bill. Far from being the jumble of unrelated and slow-growing businesses it is

seen to be in the U.S., the group is in what Lyon calls "the seventh inning of restructuring." Its consumer-oriented units, which include lighting, appliances like electric razors and a strong imaging equipment operation, are now humming along, while the company plans to sell its sluggish and cyclical LCD and chip operations. Lyon reckons those are worth 40% of Philips' \$34 billion market cap. That makes the profitable remainder of the company very cheap.

Lyon and his ten analysts and three portfolio managers take a "relative value" approach to all three of Institutional Capital's funds, meaning they aren't looking for stocks that are deeply undervalued and don't intend to hold stocks for years on end. After screening out companies with highly volatile earnings, they look for ones that are at least 15% undervalued to their peers but which they reckon can make that up within 18 months.

The table below lists stocks that Lyon thinks will benefit from new management (Investor AB), an innovative product (Sanofi-Aventis, which showed forward P/E on our table because last year's merger left it with negative earnings) or a change in industry conditions (Allianz). Lyon often sells his stocks if they don't meet his target price within the 18 months or so. This gives his fund a bit of turnover, but Lyon and his group still manage to avoid tax consequences and maintain an annual expense burden of 0.8%. Lyon's fund serves mostly institutional clients, but retail investors can buy into the no-load International Fund with a minimum purchase of \$1,000, or go it alone with some of Lyon's picks.

Let's Do Europe

Manager Rob Lyon thinks these undervalued companies are neglected by Americans and Europeans alike.

COMPANY/COUNTRY	PRICE		P/E	WHY WE LIKE THEM
	RECENT	52-WK HIGH		
ALLIANZ HOLDING ¹ /Germany	\$14.11	\$14.49	13	Consolidating European sales operations
CADBURY SCHWEPES ¹ /UK	39.75	43.40	25	Strong growth in U.S. and Mexico
INVESTOR AB/Sweden	14.64	15.96	3	First-ever outside CEO for this family-controlled firm
ROYAL PHILIPS ELECTRONICS/Germany	26.57	28.84	9	Shedding cyclicals; introducing home defibrillator
SANOFI-AVENTIS ¹ /France	39.92	45.87	13 ²	New drug in 2006 to combat obesity and smoking

Prices as of Nov. 9 in U.S. dollars. ¹American Depositary Receipt. ²2006 forward P/E. Source: Worldscope via FactSet Research Systems.

EXECUTIVE GUIDE TO MEETINGS

BUILDING A BETTER MEETING

SUCCESS REQUIRES PLANNING, AND THE HELP OF EXPERTS

By Curtis Rist



Planning a corporate meeting or event is a profession unto itself, but often the task is left to a novice.

"When someone is put in charge of a group meeting, there are tons of little details that go into making a successful meeting that they may never even have thought about," says Pamela B. Johnson, director of sales at Florida's Lee County Visitor & Convention Bureau. "This includes everything from transportation and lodging to food and beverage costs, not to mention staying within a given budget."

A valuable resource for meeting planners is their local convention and visitors bureau, known as a CVB. "A CVB is one of the best-kept secrets in the world of meeting planning and can provide timely, unbiased information about the services and facilities at the destination," says Johnson. A CVB makes meeting planning more streamlined by locating meeting space based on the planner's budget, checking hotel availability, arranging site inspections and linking suppliers like caterers and transportation and entertainment businesses.

While national associations understand the value of working with CVBs, corporate meeting planners — who may have other duties in addition to meeting planning — may not know how to take advantage of the services that are offered by CVBs, says Carole Moody, president of the St. Louis Convention & Visitors Commission. "All CVBs of a certain size can help a planner with their first order of business — selecting a hotel or hotels and selecting a meeting and event venue," says Moody. If planners don't want to do all of the primary research themselves, they can give their particulars to the CVB, which will send a lead to the hotels and venues that meet the planner's criteria.

After the planner has selected a hotel and a meeting venue, the CVB can act as a liaison between the planner and any other service providers in the host city. From audio-visual and transportation to florists and caterers, the CVB is always in touch with suppliers of goods and services for the local hospitality industry.

"In St. Louis, we now offer a complete package in the meeting rooms at the America's Center convention complex," says Moody. That means a planner can rent a meeting room that comes with

appropriate table skirting and certain audio-visual capabilities. Bigger meetings that use exhibit halls are finding cost savings as well. "Planners should always ask the CVB to tell them how they can save money," says Moody. "They'll find some great ideas." ■

WEB DIRECTORY

The Beaches of Fort Myers and Sanibel
www.fortmyers-sanibel.com

St. Louis CVC
www.MyNameIsStLouis.com

Thanks to our central location, it's easy to get to St. Louis. And once you're here, even easier to see why it's a great place for meetings. Exciting nightlife, diverse restaurants, culture and entertainment—plus more than 35,000 hotel rooms and a range of meeting space options—combine to make it the most exciting meeting destination around. In short, it's not just easy to get to.

It's hard to leave.

www.MyNameIsStLouis.com 888-892-7641

HELLO my name is
St. Louis

ST. LOUIS CONVENTION & VISITORS COMMISSION

HAVE A MEETING HERE AND THE PHRASE,
"HOLD ALL CALLS" SEEMS KIND OF SILLY.

How far off are you willing to go for your next off site meeting? Believe it or not, places still exist with no electricity, running water or phones. Where the seas are inhabited by dolphins, manatees and loggerhead turtles and the skies are filled with exotic birds. Yet as amazing as this environment is, it's all within reach of world class hotels, resorts and meeting facilities and accessible by daily non-stop flights from 35 cities. So if you're looking for a unique place to hold your next event, look no further than The Beaches of Fort Myers & Sanibel. **Call 800-237-6444 or visit fortmyers-sanibel.com.**

the beaches of
FORT MYERS  **SANIBEL**

SIGNATURE MEETING PROPERTIES:

PIKE LAGOON & GOLF COURSE RESORT & SPA
www.pikecove.com

SANIBEL HARBOUR RESORT & SPA
www.sanibel-resort.com

SOUTH SEAS RESORT
www.southseas.com

SUNDIAL BEACH RESORT
www.sanibelcollection.com

Broker Haggle Guide

Doing business with a full-service brokerage firm? Don't let them squeeze you. Get your money's worth. Negotiate. By Megan Johnston



THE TV AD SHOWS A MAN CHEERING wildly on the sidelines of a children's soccer game, but he isn't a dad. No, he's a Morgan Stanley broker, and a client has a kid in the game.

Heartwarming. Still, let's not forget that stockbrokers are not in business so they can watch games. They want to get paid.

Marcia Lockwood got a better understanding of the facts of financial life after her husband died and a Morgan broker managing the family trust convinced her to plunk most of it into—no surprise here—Morgan mutual funds. The broker chose Class B shares, which carry higher expenses (an additional 0.86% a year) than the Class A shares but don't have the upfront sales charge of the Class A.

For some customers it's pretty much a toss-up which class is the better buy, but for Lockwood the A shares should have been the clear winner. That's because she was investing \$570,000, enough to take advantage of the sliding scale offered on Morgan load funds: Her upfront commission would have been only 2% if she had divided her portfolio among a variety of different funds from the same family.

Contending she was a financial naif and didn't get a full explanation of share classes when she became trustee of her deceased husband's trust in 1994, Lockwood, who is from Illinois, joined a class action against Morgan.

THOMAS KUHLENBECK FOR FORBES

The Wall Street firm got the case dismissed on the ground that the share class information was in the prospectus. Lockwood chose not to take the case to arbitration.

Sure, there are plenty of good brokers around who explain everything, and no, we don't think they should work for nothing. But it helps if you know how they are compensated. It may help you wangle a better deal.

FUNDS OR STOCKS?

Say you have a debt-free rental condo worth \$300,000 and netting you \$9,000 a year. The depreciation writeoff shelters some of this income from the tax collector. But you don't want the hassles anymore. You sell the property and want to put the wad into real estate stocks.

The broker recommends the First American Real Estate Securities Fund, recently yielding 2.6%, close to the 3% you got from the condo. What's in it for the brokerage firm? A 5.5% load, or \$16,500. The broker also gets a 0.25% annual trailing commission on the fund for as long as you stick with it. The fund covers that out of its expense ratio.

The fund is not a bad one—FORBES rates it a C for up markets and an A for down—but there's a better way to replace your rental income. Persuade the broker to recommend a portfolio of five real estate investment trusts, into which you would put \$60,000 each. (The First American Fund has 62 holdings, the majority of which are REITs.) Total commissions for these five trades, at a full-service brokerage firm, would run \$3,500. Hold them indefinitely and there's no further portfolio management cost. Some REIT dividends are partly tax-sheltered, for the same reason that some of your dividend from the condo was sheltered.

The broker will press hard to get you to sign up for more than a passive buy-and-hold. He'll offer a wrap account that gives you active portfolio management and all the trades you need for a flat fee of something like 2% a year, or \$6,000 at the outset. But you can say no to this arrangement.

DO YOU BUY THE HOUSE BRAND?

The broker may be encouraged to push the homegrown produce, but it might not be the best thing for you. Merrill Lynch Value Opportunities is a great fund, with a five-year annualized return of 11%. But Merrill Fundamental Growth, with its five-year annualized return of -4%, is not.

FOR LARGE AMOUNTS, CLASS A FUND SHARES USUALLY BEAT CLASS B SHARES OVER ANY TIME SPAN.

CLASS A OR CLASS B?

With Class A shares you incur an upfront sales load and a low annual-expense burden. With the Class B you pay nothing up front, but the annual expenses are higher. Also, the B shares typically impose an exit fee that starts out at 5% and declines after five or ten years to 0%.

Brokers have been known to sell the Class B shares by making a big fuss about how you have all your money working for you—without explaining that the A shares may in the long run be just as good a buy. Consider the Growth Fund of America

from the American Funds family. Expenses on the B shares run 1.44% annually versus 0.7% on the A shares. After eight years you've paid your dues and the B shares convert automatically into A shares. Just how much does an extra 0.74% haircut cost after eight years? The math is a little tricky—the compounding, paradoxically, works in reverse—but it adds up to 5.8%.

So, can you get into A shares with a sales load of less than 5.8%? Yes. The load starts at 5.75% and slides down to 0% for investments of \$1 million or more.

Edward O'Neal, a business professor at Wake Forest University in Winston-Salem, N.C., has found that for larger amounts, Class A shares pretty consistently beat out the Class B shares regardless of the holding period.

WHERE'S MY BREAK POINT?

American isn't the only fund family that reduces the percentage sales load as the amount invested goes up. Many load funds do this, says Wake Forest's O'Neal. But brokers have a way of overlooking the reductions in the fee schedule.

A 2003 joint study by the National Association of Securities Dealers, the New York Stock Exchange and the Securities & Exchange Commission found that 30% of transactions eligible for a break in the sales commission did not receive one.

What do the brokers do wrong? They might suggest putting \$90,000 into a particular fund rather than \$100,000, where it would qualify for a reduced commission rate. They might split a family's assets among several fund groups rather than putting them into one. (If a husband and wife each puts \$250,000 into an American fund, their load is only 2%, calculated at the \$500,000 rate.)

Another: Brokers might neglect to tell the fund company about family relationships. If an investor's kid then puts in \$2,000

he's sometimes eligible for the 2% rate, too.

Here's a tricky one. If you have only \$10,000 to invest now but expect a \$500,000 inheritance in a year, you may be able to sign a letter of intent to add to your account and get the reduced rate on your initial sum. At American Funds, this works for fund investments expected as much as 13 months later.

Unfortunately for you, the broker may not volunteer this interesting fact. That's why it pays to stay alert to what's behind your broker's bright ideas.

SHOPPING TIPS



> Don't buy an in-house fund just because it's the first

one you see.

> Consider a wrap account. Opt for Class A instead.

> Look for a reduced rate for large investments in A shares.

> Don't get a better deal.

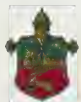
> A portfolio of stocks would be as good as a fund



UNALTERED BY TIME. PRESERVED BY TRADITION.

CHERISHED BY GENERATIONS.

SEA ISLAND RESORTS.



SEA ISLAND
RESORTS

We invite you to experience genuine Southern hospitality, breathtaking natural beauty, the warmth of close relationships and wealth of recreational opportunities in the extraordinary, private world that is Sea Island. And with the Spring 2006 debut of The Cloister's new main building, our dining and accommodations will reach an even more extraordinary level.

1.800.SEA ISLAND seaisland.com

Sell That Bond

An early payment to the taxman can cut a bondholder's bill in the long run. *By Daniel Krueger*

BONDS ARE BUY-AND-HOLD INVESTMENTS, right? Not always. Robert Gordon, president of Twenty-First Securities in New York City, has an argument for actively trading bonds that have appreciated since you bought them. His reasoning capitalizes on the fact that long-term capital gains (profits on securities you've owned for at least one year) are taxed at 15%, whereas bond interest is taxed as ordinary income, 35% for prosperous bond owners. By selling an appreciated bond, you convert a portion of your ordinary income into capital gains.

Unlike the trades made by professional bond traders, this strategy is a pure tax dodge. It has nothing to do with interest-rate prognostications. "It makes a lot of sense, no matter where you think rates are going," Gordon says.

Here's how the numbers work. We're rounding off the numbers for simplicity, and for the moment we will ignore trading costs.

Suppose that in 2000 you bought \$100,000 of the ten-year 6.5% coupon Treasury bonds at par. With five-year bonds yielding 4.6% now, your bonds trade at \$1.07 on the dollar. Your position is worth \$107,000.

You could stand pat. In that case you have five more years of interest coming in, a total of \$32,500. All of this would be taxed at 35%.

Or you could sell the bond and use the \$107,000 proceeds to buy back the same security. When you do that, you create an income tax writeoff for something called "amortization of bond premium." Over the course of the next five years you will have \$7,000 of amortization deductions against your \$32,500 of interest income.

The tax cost associated with this trade is that you have to report a \$7,000 capital gain immediately, taxed at 15%. That costs you \$1,050. Offsetting this, you cre-

ate \$7,000 of deductions against ordinary income. These deductions are worth 35 cents on the dollar, for a \$2,450 savings. You're ahead \$1,400 with the IRS.

Note that the tax rule against wash sales (selling a security and buying it back within 30 days) applies only to losing positions. It won't stop you from creating a wash-sale profit. However, the out-and-in can't be a sham. To make the trade kosher, stay out of the market for a few minutes so that you have some risk of gain or loss.

benefit is spread over the next 5 years. This is why the trading gimmick works better on a bond due in 2 years than on one due in 5, and might not work at all on one due in 20 years.

Next, you have those transaction costs. Your broker will nick you a few hundred dollars (plus or minus the market movement for the three minutes you are on the sidelines).

Third, there are state taxes. Your Treasury coupons are exempt from state tax, but your \$7,000 capital gain is not. Selling converting coupons into capital gain raises your state taxes.

Want to check this out for a bond in your portfolio? The Web site for Twenty-First has a calculator to help you (click on "Profitable Bonds" in the Investment Tools section). The trick is particularly likely to make sense for the investor who

Cornish Co. ESTABLISHED OVER HALF A CENTURY

THIS IS A PURE TAX DODGE. IT HAS NOTHING TO DO WITH INTEREST RATES.

MADE OF THE BEST MATERIAL, available and perfect in construction. WE SELL THE INSTRUMENT UNDER THE SYSTEM. TRIALER WILL TAKE IT BACK, and REPLACE IT WITH ANOTHER AT OUR EXPENSE. We make it MAKE GOOD, at our expense, in any case of dissatisfaction. We guarantee safe delivery of the instrument, and the satisfaction of the purchaser. We guarantee safe delivery of the instrument, and the satisfaction of the purchaser. We guarantee safe delivery of the instrument, and the satisfaction of the purchaser.

TO PURCHASER

The benefit from tax-motivated selling of Treasuries is even greater for people who happen to be sitting on unrealized capital losses (how about that Akamai you bought in 2000?). Sell the stinkers and let them absorb the capital gain on the Treasury.

The example shows what's good about selling premium bonds before they mature. Now let's look at the downside.

First, we have ignored the time value of money. Your \$1,050 capital gains tax has to be paid next April, but your \$2,450

in a high federal bracket but a low state one (e.g., a resident of Texas). It works for corporate bonds, too; in that case downside number three doesn't apply (because both the coupons and the capital gain are subject to state tax).

Two more cautions. With municipal bonds the gimmick backfires—you'd be converting untaxed coupons into taxable capital gains. And it almost doesn't need to be said, but we will say it anyway: Games like this make no sense inside a tax-sheltered account like an IRA.

GRAB LIFE BY THE HORNS



ALL SMOKE. NO MIRRORS.

DODGE CHARGER **SRT-8** | 425 horses of SRT HEMI® V8 power > 420 lb-ft of torque > All-speed traction control > Electronic Stability Program with three-position switching > 5-Speed AutoStick® transmission > Visit us at dodge-srt.com or call 800-MAGODGE

Dodge and HEMI are registered trademarks of DaimlerChrysler Corporation.

★★★★★
FIVE-STAR

HIGHEST GOVERNMENT
FRONTAL CRASH TEST RATING





Love It Or Leave It

Our bullish and bearish stock pickers excelled in 2005. They look to repeat with Freddie Mac, Syntroleum and 15 more for the year ahead.

By Andrew T. Gillies

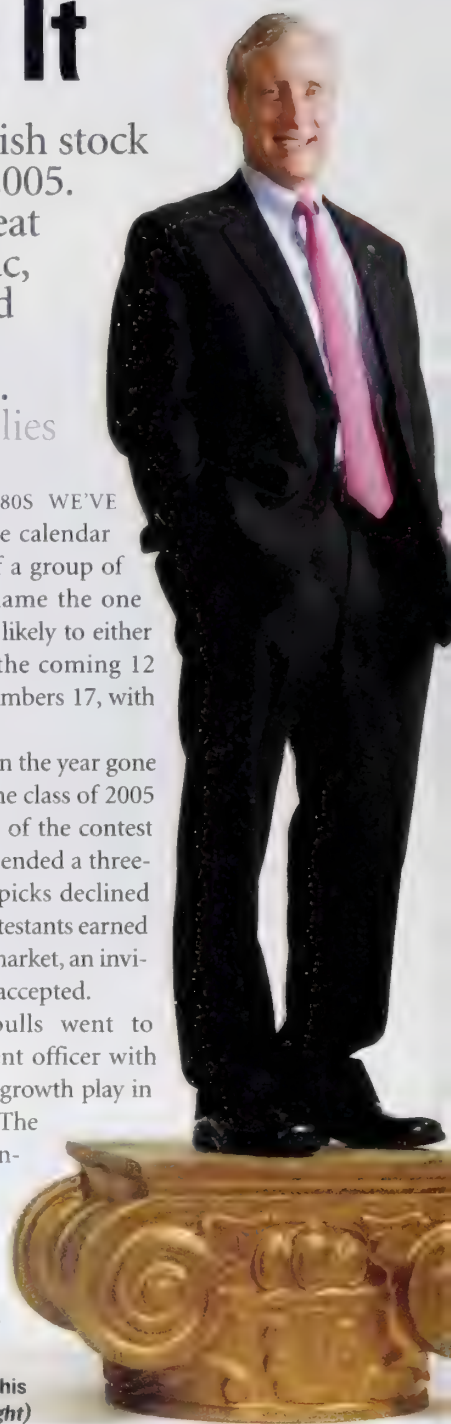
SINCE THE EARLY 1980S WE'VE marked the end of the calendar year by asking each of a group of investment pros to name the one stock they think most likely to either outpace or trail the market over the coming 12 months. Our panel of seers now numbers 17, with 12 bulls, 5 bears.

Both sets performed admirably in the year gone by. Long bets from the Love Only One class of 2005 rose an average 16% over the course of the contest versus 7% for the S&P 500. The shorts ended a three-year streak of poor showings. Their picks declined 25% on average. In all, 12 of our 17 contestants earned our customary reward for beating the market, an invitation to return for 2006. Eleven have accepted.

The blue ribbon for 2005's bulls went to B. Randolph Bateman, chief investment officer with Huntington Bank. A year ago he saw a growth play in Cerner, a medical software company. The stock traded for 28 times trailing earnings then. It closed the contest at 41 times a higher earnings number.

For 2006 Bateman puts his chips on Mentor, a maker of medical devices ranging from saline breast implants

Bear pair: retiring champ Morton Cohen and his replacement, former partner Brian Chait. **(Right)** Winning bull B. Randolph Bateman of Huntington Bank, whose stock pick, Cerner, rose 87%.



6 HRI +0.14 VISITS TO GRANDDAUGHTER -1.75 CJU +2



investments we value most cannot be found in a portfolio. That's why we at Marsico Funds focus on achieving long-term results. Because all of us want to experience more of what matters most in life. Life itself. You should consider the Funds' investment objectives, risks and charges and expenses carefully before investing. For a prospectus, which contains additional information about the Funds, call 888-860-8686 or visit marsicofunds.com. Please read the prospectus carefully before investing. Mutual fund investing involves risks, including the possible loss of principal. Ticker symbols are fictitious and do not refer to existing securities. © 2005 Marsico Capital Management, LLC. UMB Distribution Services, LLC, Distributor.



**MARSICO
FUNDS**

Helping you appreciate life™

to catheters for urinary incontinence. Bateman finds the product mix well suited to aging baby boomers, among a gaggle of other positives. "Good market share, strong balance sheet, respect in the medical community and good distribution efforts," he says.

The best bear? Clarion Group's Morton Cohen took that honor for the second year in a row. In October 2004 he thought Travelzoo looked overpriced and vulnerable to competition in the online travel business. The stock sank 73%.

Unfortunately for us, if not for him, Cohen has retired from the investment business. But his former partner, Brian Chait, agreed to stand in. Chait, now proprietor of the BC Global Opportunities hedge fund, enters this Love Only One season with a pan of Novavax. The Malvern, Pa. company sells prescription drugs for women's health and also develops technology to deliver vaccines against infectious disease.

Novavax traded below a dollar in August but jumped in price along with avian flu headlines. Chait points to the company's quarterly losses, its \$36 million

in long-term debt and stiff competition in the vaccine business. He says that selling by insiders doesn't improve the picture.

Overseas Shipholding Group is another candidate for decline, says Charles Hanlon, chief strategist with Delta Global Advisors. Hanlon, the bears' runner-up last year on Annaly Mortgage Management, thinks oil tanker stocks will take a hit from lower energy prices and slowing global eco-

jumped 70% during the last 12 months. He returns with Pfizer, whose shares have lost more than half their value since their high in 1999. Auth argues that the market has both underappreciated Pfizer's restructuring efforts and overreacted to the potential loss of the company's Lipitor patent. He also believes Pfizer's new cholesterol treatment, a blend of Lipitor and torcetrapib, will be a big seller.

In the longevity department we bid



THE SHORTS ENDED A THREE-YEAR STREAK OF POOR SHOWINGS. THEIR PICKS DECLINED 25% ON AVERAGE.

nomie growth. Shares of Overseas Shipholding, he notes, have held up lately because many of its ships are relatively new. "If the pricing environment becomes even more challenging," Hanlon warns, "the age of a company's fleet will mean little."

The bulls' runner-up was Stephen Auth, chief investment officer for global equity at Federated Investors. A year ago he spotted a bargain in McKesson, which

farewell to bull Richard E. Cripps, Legg Mason's chief market strategist. Cripps had six years in the contest and narrowly missed a seventh with his pick of Intel. Taking the mantle from him is Joseph Zock, president and portfolio manager at New York value shop Capital Management Associates.

Zock, entering his fourth year of Love Only One action, speculates on a small cap Syntroleum. The Tulsa company shows

Class of 2005: Jolly Good Show

Bulls and bears alike fared well in the year gone by. B. Randolph Bateman and Morton Cohen were the aces.

NAME/AFFILIATION	STOCK	PRICE CHANGE ¹
STEPHEN AUTH /Federated Investors	McKesson	70%
B RANDOLPH BATEMAN /Huntington Bank	Cerner	87
JACK CAFFREY /JPMorgan Private Bank	Agilent Technologies	28
RICHARD E. CRIPPS /Legg Mason	Intel	6
MAUREEN CULLINANE /Evergreen Investments	Deckers Outdoor	-55
RICHARD DRIEHAUS /DrieHaus Capital Management	51job ²	-52
SARAH KETTERER /Causeway Capital Management	ING Group ³	8
ELISA MAZEN /Oppenheimer Capital	Arcelor ³	25
KEVIN MCCLINTOCK /Babson Capital Management	Garmin	15
CHRISTOPHER SMART /Pioneer Investments	Companhia Brasileira de Distribuição ³	16
MITCHEL ZACKS /Zacks Investment Management	Marsh & McLennan	5
JOSEPH ZOCK /Capital Management Associates	Advanced Micro Devices	38
SHORT-SELLERS		
MICHAEL BURKE /Investors Intelligence	General Dynamics	14
MORTON COHEN /Clarion Group	Travelzoo	-73
HARINDRA DE SILVA /Analytic Investors	Cinergy	1
CHARLES HANLON /Delta Global Advisors	Annaly Mortgage Management	-36
STEPHEN LEEB /Leeb Capital Management	General Motors	-29

From Oct. 29, 2004 through Oct. 28, 2005. ¹Price change from Oct. 29, 2004 through Oct. 28, 2005, not spinoff-adjusted. ²American Depositary Shares. ³American Depositary Receipts. Source: FT Interactive Data via FactSet Research Systems.

ECO-PROOF. BECAUSE THE EARTH IS 70% WATER AND THE OTHER 30% IS
MUD AND DIRT



GET THE ONLY WATERPROOF POINT-'N-SHOOT DIGITAL CAMERA AND **GET MUDDY.**



PENTAX®
Optio[®]WPi

WATERPROOF • ACCIDENT PROOF • LIFE PROOF

- > 6.0 megapixels
- > 3X optical zoom
- > Under \$350
- > 100% waterproof (JIS Class 8) because "splashproof" and "all-weather" cameras just don't cut it.

pentaximaging.com

latest-12-month revenue of only \$7 million, but Zock sees a winner. He especially admires Syntroleum's technology, which converts natural gas into liquids for refining into fuel for combustion engines and fuel cells.

Now for the newbies. We welcome Brooke de Boutray of Zevenbergen Capital Investments, a Seattle growth manager with \$1.1 billion under management, as a new bull. De Boutray suggests that Aquantive, which earned \$31 million on sales of \$282 million in the past 12 months, will ride the tailwind of growth in digital advertising. Its Atlas unit, for example, develops software allowing businesses to track which keywords on which search services yield the most new customers.

Robert Doll, chief investment officer of Merrill Lynch Investment Managers, oversees 155 funds and \$518 billion in assets. He offers Devon Energy, pointing out that 60% of the reserves of this energy exploration company lie in natural gas. Doll also likes its exploration projects in Africa and the Gulf of Mexico, as well as its management. "They've cleaned up the



SIX OF 17 CONTESTANTS ARE FIRST-TIMERS. NEW BEAR HARRIET BALDWIN IS BETTING ON RR DONNELLEY.

balance sheet and are credible," he says.

David Goerz, chief investment officer at San Francisco's HighMark Capital Management, tends to the equity portion of HighMark's \$18 billion portfolio, and he likes the look of Ryder System. The truck-leasing concern has a thriving supply-management business, he says, and its shares look cheap, relative to the competition. The company is valued at only half its sales. Another plus: Hurricane rebuilding in the Gulf Coast could boost business.

Arvind Sachdeva hails from Victory Capital Management, a Cleveland outfit with \$56 billion in assets. Sachdeva, who heads up Victory's activity in intrinsic value investing, goes long with government-sponsored mortgage lender

Freddie Mac. He says negative investor sentiment has pushed Freddie's stock into bargain territory. Sachdeva also expects the shares, now yielding 2.1%, to get a dividend hike. And politics? "The regula-

tory cloud should begin to lift as we get into 2006," he says.

One other bear debuts. Harriet Baldwin is one of six analysts at Palladian Research, a New York equity research boutique. Baldwin's specialty is industrial stocks; she cut her teeth in the area as an analyst with Lehman Brothers and Deutsche Bank. For 2006 she predicts a capacity glut in the printing business and that a tough ad market will hurt RR Donnelley, which prints periodicals, catalogs and financial documents.

Latest price quotes, charts and financial data for all these picks are available on our Website. Use our online portfolio tracker to follow these stocks throughout the year. www.forbes.com/investmentguide.

Class of 2006: They're Off!

Another year, another crop of Love Only One picks. Twelve bulls must beat the S&P 500, while five bears must lag it. The prize: a chance to play again.

NAME/AFFILIATION	YEARS IN CONTEST	STOCK	RECENT PRICE	BUZZ
STEPHEN AUTH/Federated Investors	2	Pfizer	\$21.74	Lipitor follow-up will be blockbuster
B RANDOLPH BATEMAN/Huntington Bank	2	Mentor	45.00	medical stock pricey but worth it
JACK CAFFREY/JPMorgan Private Bank	2	Time Warner	17.83	a bargain at two times sales
BROOKE DE BOUSTRAY/Zevenbergen Capital Invests	1	Aquantive	21.65	one-stop shop for digital advertising
ROBERT DOLL/Merrill Lynch Investment Managers	1	Devon Energy	60.38	gas outfit will deliver strong earnings
DAVID GOERZ/HighMark Capital Management	1	Ryder System	39.67	cheap given growth potential
SARAH KETTERER/Causeway Capital Management	3	Kingfisher ¹	7.51	restructuring plan will goose profits
ELISA MAZEN/Oppenheimer Capital	3	Teva Pharma ¹	38.12	will benefit from patent expirations
KEVIN MCCLINTOCK/Babson Capital Management	3	NorthWestern	29.75	Midwest utility ripe for takeover
ARVIND SACHDEVA/Victory Capital Management	1	Freddie Mac	61.35	out-of-favor shares due for a bounce
CHRISTOPHER SMART/Pioneer Investments	2	Mobile TeleSystems ¹	36.99	mobile phone leader in Russia
JOSEPH ZOCK/Capital Management Associates	4	Syntroleum	7.15	technology in alternative energy
SHORT-SELLERS				
HARRIET BALDWIN/Palladian Research	1	RR Donnelley	35.02	too much supply in print business
BRIAN CHAIT/BC Global Opportunities	1	Novavax	4.04	current multiples unsustainable
HARINDRA DE SILVA/Analytic Investors	3	Ebay	39.61	insiders bailing; analysts downgrading
CHARLES HANLON/Delta Global Advisors	2	Overseas Shipholding	47.60	party is over for tanker stocks
STEPHEN LEEB/Leeb Capital Management	2	Eastman Kodak	21.90	ugly competition in digital photos

Prices as of Oct. 31. ¹Companies may hold positions in these stocks. American Depositary Receipts. Source: FT Interactive Data via FactSet Research Systems.

**Remember
measles?**

**Remember
rubella?**

**Remember
mumps?**

**Merck research
means your kids
probably don't.**

Most kids today don't have a clue about diseases adults remember, thanks to the work of Merck scientists. Merck is one of the few drug companies still conducting research to combat childhood diseases. Our 8,000 scientists are also doing research on heart disease, diabetes, obesity and cancer. To learn more, call 1-800-9MERCK7 or visit merck.com.

Where patients come first  **MERCK**

Starstruck

Morningstar's celebrated Michelin-like ratings have limits. Some funds get coveted four- and five-star awards because they are in less-competitive categories. Here's how to see past the stars.

By David Serchuk and James M. Clash



A FOUR-STAR FUND. WOW. U.S. Global Investors MegaTrends Fund, with a 7.2% annual ten-year return, has the bragging rights that attract new investors. Because it sits on a rarefied perch—the top third of all large-cap growth mutual funds—fund-rater Morn-

ingstar has awarded it a coveted four stars (of a possible five).

A buy? Not so fast. That 7.2% return lags behind the S&P 500 by 2.1 percentage points. Investors should know that the celebrated Morningstar system, where four and five stars are the much advertised elite, has limits: Some high rankings

are better than others. The four stars, for instance, give you no clue about MegaTrends's lofty expenses, 2.83% clipped from assets yearly.

Beyond that is a still more serious flaw: MegaTrends owes its starry evaluation to Morningstar's decision two years ago to shift it out of the large-cap blend category (funds that have a mix of growth and value characteristics). MegaTrends had been mired in the bottom third of large-cap blend funds and sported a mere two stars. Yet when the fund landed in its new home, its drag-butt performance looked much better by comparison.

Morningstar ratings remind Robert Kleinschmidt, manager of the excellent Tocqueville Fund, of his volleyball league. The Tocqueville team did so well in the mid-1990s that it was moved into a better division, where it floundered. Once demoted back to its old division, the team won that lower-level championship.

Through 2003 Morningstar labeled Tocqueville (median market cap then \$6.7 billion) a midcap blend fund, ranking it in the 65th percentile of that category—three stars. In 2004, as Kleinschmidt found better values in bigger and higher-multiple stocks, the fund, with a new median cap of \$10 billion, was recategorized as a large-cap blend and given five stars. “I was suddenly in the top 2% for three and five years,” Kleinschmidt chuckles. “That people use Morningstar ratings, given this, as a way of choosing funds is nuts.”

CornerCap Small Cap Value Fund returned an annual 16.3% to Fidelity's Fifty Fund's 11.1% over the past three years. But because the Fidelity portfolio was in the less competitive large-cap growth category, it received a better rating: three stars versus one for CornerCap.

High-star ratings matter a lot. According to *FRC Monitor*, a trade publication, two-thirds of mutual fund inflows went to five-star funds in the past 12 months, while funds with three stars and below saw net outflows. To be sure, some of this movement would have taken place even in the absence of the Morningstar rating system. But higher star ratings certainly don't hurt. The Third Avenue Value Fund has seen an estimated \$1.9 billion in inflows since its star rating was bumped

from three in 2003 to five today.

Other than the category distortions, a big problem with Morningstar rankings—and rankings by Forbes or any other organization—is that they are of necessity backward looking. Morningstar itself calculates that over the past five years five-star funds returned -7.3%, compared with -1.5% for the market, a 5.8-point deficit. Morningstar recommends that in choosing a fund, you weigh its investment strategy, management tenure and expenses. The stars, it says, are only one tool in evaluating a fund.

Time was, the Morningstar ratings were even less helpful. Funds were put into only four categories: domestic stock, international stock, taxable bonds and municipals. The weakness was that

their categories meander as market caps or price/earnings multiples change. MegaTrends manager Stephen Leeb rejects the idea he switched categories to garner better ratings. "I don't manage money to get Morningstar stars," he says.

While Tocqueville's Kleinschmidt says his category move was unintentional, he believes some managers do aim to jack up ratings by hopping to categories with less impressive performances, although that's difficult to prove. Mercer Bullard, founder of Fund Democracy, an advocacy group, agrees: "Some managers undoubtedly have done that. You might be the number one fund in a category you're not in, but by making a few tweaks you would land in that category."

Morningstar argues that its fund cat-

been in the large-cap blend category.

Another vexation: Funds sometimes defy categorization yet get stuffed into a sector anyway, then graded accordingly. Robert Loest, manager of the Integrity Growth & Income Fund, believes this is Morningstar's Achilles' heel. "Funds get upgraded when they shouldn't," he grouches, "downgraded when they shouldn't, and when you get the number of stars you deserve, it's for the wrong reasons." Supposedly a midcap blend fund, his Integrity Growth gets only one star, despite beating the market the past three years. Manager Loest buys stocks of all sizes at large discounts, which puts him all over the investment spectrum.

What about an index fund, which avoids many of these concerns? The Vanguard 500 Index has beaten 60% of active

Give Me Some Love

These no-load funds, rated two stars or less by Morningstar, beat the S&P 500 over the last ten years with below-average expenses.

FUND	MORNINGSTAR RATING	MORNINGSTAR CATEGORY	10-YEAR ANNUALIZED TOTAL RETURN	ANNUAL EXPENSES PER \$100
COLUMBIA REAL ESTATE EQUITY-Z	two stars	specialty real estate	15.2%	\$0.97
FIDELITY SELECT BIOTECHNOLOGY	one star	specialty health	10.8	0.98
MAXIM ARIEL MIDCAP VALUE	two stars	midcap value	12.0	0.98
NORTHERN SMALL CAP VALUE	two stars	small-cap value	13.0	1.00
WEITZ PARTNERS VALUE	two stars	midcap value	14.2	1.13
VANGUARD 500 INDEX	four stars	large-cap blend	9.3	0.18

Performance through Oct. 31. Source: Morningstar

if a particular style was in vogue, those funds would hog all the stars. In the late 1990s large-cap growth funds boasted a veritable galaxy; large-cap value was a black hole.

Morningstar changed the system in mid-2002, segmenting the fund universe into an array of narrow categories. Now there are 63 of them, dedicated to the likes of small-cap value, tech, convertibles, bear market. The research firm rates 13,261 funds by risk-adjusted performance, over ten-, five- and three-year periods (the last ten years count the most), against a risk-free Treasury's return. The top 10% of funds in each sector gets five stars, the next 22.5% get four and so on.

These categories, however, are not static, as the MegaTrends example shows. By luck or design, funds near the edges of

categories are nearly game proof. Reason: Funds are placed into a category based on how they invested over the prior three years, not just one. That makes jumping categories hard for managers, says Kunal Kapoor, Morningstar's director of fund analysis. Any manager who can predict the market's contours three years from now, he adds, would not need to cheat.

Unhappily, investors interested in tracing the category history of a meandering fund are out of luck. Morningstar keeps the data but doesn't release it to the public. Worse, when Morningstar places a fund in a new category, it wipes out the history of how it had performed in other categories. If a fund is a midcap blend for most of its life, like Tocqueville, and moves into a large-cap blend, Morningstar awards its stars as if it always had

equity managers over the last ten years. How many stars is that worth? Morningstar says four. Go figure.

We went looking for some good fund with one or two stars—plus good ten-year returns and low expenses (see table). One stellar two-star fund is Weitz Partners Value, a member of the Forbes Honor Roll (see Sept. 19 issue).

Small-cap value has been on fire the past several years, but Northern Small Cap Value gets only two stars. It beat the market handily with a 13% annual return over ten years but trailed peers. It stayed very conservative in 2003 when other value funds pumped returns by dabbling in resurgent highfliers. Another excellent two-star is Columbia Real Estate Equity Z, whose 15.2% annual return over the decade hasn't kept pace with others in the hot real estate sector.

IBM Workplace



IBM® WORKPLACE™ SERVICES EXPRESS PRESENTS

YOU -vs- THE LAWS OF TIME, SPACE AND DEADLINES

MID-SIZED BUSINESSES: COLLABORATE, BOOST EFFICIENCY, DO THE IMPOSSIBLE!

FEATURING: EASE-OF-USE ★ EASE-OF-INSTALLATION ★ EASE-OF-BUDGET
THE FLEXIBLE OPEN STANDARDS THAT FLATTEN OTHER RIP-AND-REPLACE SOLUTIONS

PLUS: A UNIFIED ROLE-BASED ENVIRONMENT
& INCREASED PRODUCTIVITY

IBM WORKPLACE SERVICES EXPRESS:
DESIGNED AND PRICED FOR
THE MID-MARKET

IT'S SIMPLY A BETTER WAY TO CONNECT PEOPLE WITH BUSINESS

IBM MIDDLEWARE. POWERFUL. PROVEN.

FIGHT BACK. SEE THE SPECIAL COLLABORATION DEMO AT WWW.IBM.COM/MIDDLEWARE/SIMPLIFY

IBM, the IBM logo and Workplace are registered trademarks or trademarks of International Business Machines Corporation in the United States and/or other countries. ©2005 IBM Corporation. All rights reserved.

Do Solar While The Credit Shines

Thinking of picking up a photovoltaic panel? Install it before the lavish tax subsidies expire. By Ashlea Ebeling

A FRONT PORCH WITH hanging flower baskets and stone-based columns softens the modern look of Bronwen and Jeffrey Martin's 4,600-square-foot home in Mooresville, N.C. But in back there's no confusing this \$1.2 million structure with its more traditional neighbors: The rear south-facing glassy roof has two top rows of solar thermal panels that heat the house and its water and three bottom rows of solar photovoltaic panels that generate its electricity. "We have essentially locked in our future energy costs. And we can take hot showers forever," boasts Jeff Martin, a 38-year-old senior program manager at Microsoft. Adding to his solar bliss: \$17,500 in state tax credits.

Solar power is hotter than it has been

since the 1970s. Only now the technology is better and the tax incentives fatter. Many states dish out money for these toys. Congress recently adopted the first federal tax breaks for residential solar since 1985—temporary credits available for systems installed in 2006 or 2007. You can claim one federal credit of up to \$2,000 to cover 30% of a photovoltaic system's cost and another 30% credit of up to \$2,000 for a thermal system. These are credits—not deductions—so they reduce your tax bill dollar for dollar.

Catches? The federal credit applies only to your net system cost after state incentives. Thermal systems used for heating hot tubs and pools aren't eligible. And there's a chance you could lose your credit, or part of it, to the alternative minimum tax. So consult your accountant as well as a solar contractor before you

decide whether to go solar.

Even with the federal break, the financial (as opposed to the feel-good) case for solar varies with latitude, utility rates and state subsidies. Over the course of a year, the Southwest receives double the amount of solar energy that the Northeast does, but that usually translates into somewhat less than double the solar system output because the material converting the sunlight to electricity actually becomes less efficient at higher temperatures.





The solar-powered nuclear family: Jeff and Bronwen Marlin, with daughter Rhannon and son Rhys.

es. Utility costs are widely skewed and easily offset differences in climate. A photovoltaic system installed in Boston produces 25% less electricity than it would in Albuquerque, N.M. but yields the same savings on utility bills, since electricity costs more in Boston. (The tips on page 194 will help you figure your own likely payoff.)

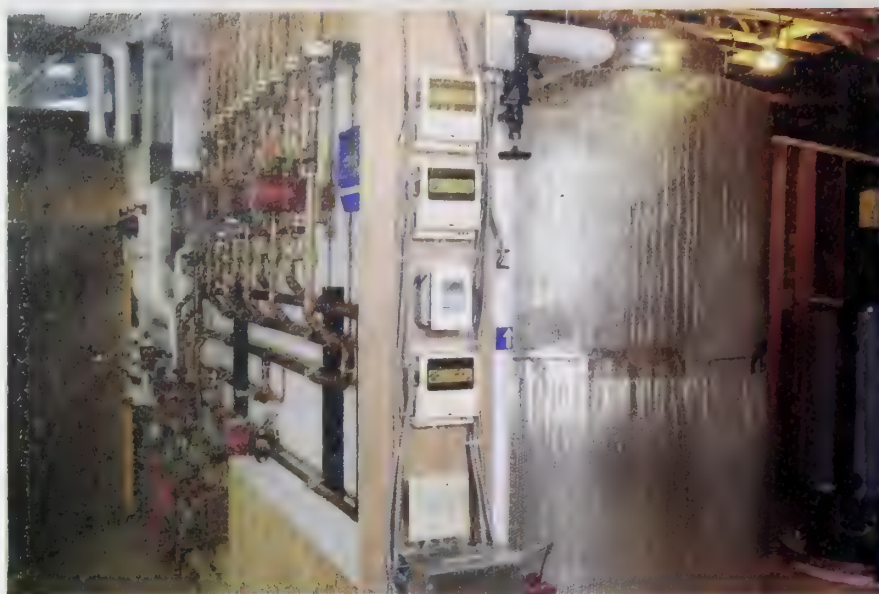
Fifteen states, including Iowa, North Carolina and Oregon, offer tax breaks for solar energy. New York allows you to

"WE HAVE LOCKED IN OUR FUTURE ENERGY COSTS. AND WE CAN TAKE HOT SHOWERS FOREVER."

claim a tax credit equal to 25% of the cost of solar thermal and photovoltaic systems, with a maximum credit of \$3,750. (That increases to \$5,000 on Sept. 1,

2006). The state exempts solar systems from sales tax and gives homeowners a 15-year real property tax exemption on the improvement.

In two dozen states, state or local governments offer direct solar rebates. Connecticut pays homeowners \$5 per watt to install solar electricity—up to \$25,000 for a 5-kilowatt photovoltaic system. (As is customary, power is figured with the sun high in the sky on a cloudless day. But the sun goes down frequently. A 5kw system



in Hartford will produce only 6,000 kilowatt-hours a year.) That system would cost \$37,800. The state rebate reduces the cost to \$12,800. The federal break, assuming you can claim it, knocks the cost down to \$10,800. If the local utility charges 14 cents a kilowatt-hour and raises rates 5% a year, a family using 10,000 kilowatt-hours a year should recover its \$10,800 investment in 11 years, calculates Thomas Leyden, a vice president of PowerLight, a photovoltaic project developer in Berkeley, Calif. (The panels should last for at least 25 years.)

In New Jersey you could recoup your investment in five years. In addition to a state \$5.10-per-watt rebate and an exemption from the 6% sales tax, a New Jersey utility (or a middleman broker) will pay you 15 cents a kilowatt-hour for the "renewable energy credits" you earn as a solar energy producer—a subsidy worth \$887 a year for our hypothetical family. This boondoggle comes courtesy of New Jersey lawmakers, who mandated that electric utilities either draw a certain amount of their power from green sources or buy credits to meet their quotas. As more systems are put in, the market rate for credits could fall.

Even after all the breaks, upfront costs can be substantial, particularly if you're set on being energy self-sufficient. The Martins in North Carolina spent \$100,000 for a 10-kilowatt photovoltaic system and another \$20,000 for the thermal system. (A thermal system uses the

sun's rays to warm water, either for use at the tap or in a heating system.) They also shelled out \$10,000 for a geothermal heat pump system that provides cooling (and back-up heating) by using a deepwater well. Of course, they didn't make cost-saving a priority. Instead, working with noted Massachusetts architect/engineer Steven Strong (who designed the solar energy systems at the White House), Jeff Martin wanted, he says, "a demonstration of what's possible."

If you've got Martin's green impulses but can't cash out Microsoft stock options to finance a project, consider a modest system and rely more on conventional power as a backup. The most economic solar investment for an existing home is a system that heats water for your tap and costs

\$3,500 to \$5,000. Fluid runs through pipes that circle up to the solar roof panels. The hot fluid then transports heat back down to an 80-gallon water storage tank. (The Martins, who use solar-heated water for central heating, too, have a 1,000-gallon tank in their cavernous basement.)

A typical family of four uses 64 gallons of hot tap water a day. If you buy a \$4,500 solar water heating system in North Carolina, the net cost after state and federal

Solar-heated water runs through pipes under the floors, keeping the Martins warm.

credits is \$2,170. If gas averages \$20 per million Btu and the solar system cuts your gas use by 15 million Btu a year, the system pays for itself in seven years. You'll want

to keep your old electric or gas system in place as a backup.

The federal \$2,000 credit by itself doesn't make a big dent in the far greater cost of a photovoltaic system, so you'll need a generous state incentive to make that investment pay off. How much do you care about aesthetics? Those old-fashioned clunky panels that sit in your yard or on your roof are cheaper than the sleek, roof-integrated panels the Martins chose or new ones that double as windows.

The Martins set up their system so that it fulfills most of their electricity demands over the course of the year. A bank of batteries in their basement stores power for when the sun doesn't shine and the power grid isn't available. The excess that they can't use or store is sold to the local power grid. Under a statewide program they get 18 cents a kilowatt-hour for the power they put on the grid, which is then resold to other consumers who are willing to pay 12 cents a kilowatt-hour (4 cents more than the normal rate there) to buy a mix of green power that includes pricey solar and cheaper wind and methane energy. The Martins could even engineer their system to sell all of the solar power on the grid at 18 cents and then buy back fossil-fuel power at 8 cents, pocketing the difference. Of course, you would be cynical to play arbitrage games like that, but then legislators were inviting such mischief when they decided to subsidize something that doesn't quite make economic sense.

BEFORE YOU GO SOLAR ...

> Run the numbers. The National Renewable Energy Laboratory's Pwatts online calculator estimates your utility bill savings from a photovoltaic system.

> Check out state subsidies, tracked by the North Carolina Solar Center, at www.dsireusa.org.

> Find an architect and a contractor experienced with solar. Big players belong to the Solar Energy Industries Association.

> See solar in action. The American Solar Energy Society holds open-house demos in almost every state each fall.

—A.E.

HOW CAN YOUR BANK

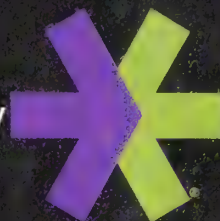
**BE
BETTER?**

ADD E*TRADE BANK

**AND GET THE ADVANTAGES OF
A TRULY NATIONAL BANK.**

Challenge the ordinary.

Be E*traordinary



It's easy.

Step 1: Keep your local bank for everything local.
Step 2: Then open an E*TRADE Bank Money Market
Account and get:

- * No ATM fees at 370,000 machines**
At any bank, anywhere, with unlimited refunds¹
- * Quick Transfer funds**
Easily between your local bank and
E*TRADE Bank with a point & click²

4.10% APY
Money Market account
for three full months²

Call 1-877-925-2434 or visit etrade.com/mm

**E*TRADE
FINANCIAL**

E*TRADE Bank will not charge you a fee for withdrawing funds from any ATM nationwide but the owner/operator of the ATM may. This feature will refund the fees charged by the ATM owner/operator. In the event of fraudulent or clearly excessive use of the feature on a given account, E*TRADE Bank reserves the right to remove the feature. Withdrawal limits apply. Under Federal Reserve Regulations related to these types of accounts, account holders are allowed six withdrawals or transfers from their account in any calendar month (ATM withdrawals excluded), with a maximum of three ATM withdrawals by check.

The Annual Percentage Yield (APY) of 4.10% is good for 90 days from the date the account is opened and funded. Accounts must be opened by December 15, 2005 to qualify. This offer is only good for E*TRADE Money Market Account customers and for existing Money Market Account customers who transfer at least \$25,000 in new funds from an external (i.e., non-E*TRADE) account into their E*TRADE Money Market Account. E*TRADE Bank retains the right to withdraw the 4.10% introductory APY from any account at any time if these conditions are not met. Offer applies to one account per customer. **A \$100 minimum deposit is required to open a new E*TRADE Money Market Account and account holders must maintain a minimum average monthly balance of \$1,000 or \$5,000 in total E*TRADE Bank deposits, by the end of their second statement cycle to avoid a \$10 monthly fee.** This fee is waived for customers who make 10 or more stock or options trades per month (30 per quarter) or who maintain at least \$50,000 in combined E*TRADE Securities and E*TRADE Bank accounts. A \$10 early closeout fee will be assessed if account is closed within 120 days of opening. After the 90-day introductory period, customers will receive the current APY based on account balance. Current as of 10/28/05, accounts with balances of \$100,000 or more earn 3.25%; those with \$50,000 - \$99,999 earn 3.25%; those with \$5,000 - \$49,999 earn 2.50% and those with less than \$5,000 earn .30%. For example, if an account is opened with \$5,000 the introductory offer is a 4.10% APY for 90 days, account will yield 4.10% for 90 days. For balances of \$5,000 - \$49,999, the current yield for the nonintroductory period is 2.50%. Therefore, the introductory APY for the first year after account opening is 2.89%. APY is subject to change daily, and fees will reduce earnings.

For details and important information about Quick Transfer, please visit etrade.com/quicktransfer for a listing of the limitations, restrictions and time deadlines associated with this service.

E*TRADE Bank and lending products and services offered by E*TRADE Bank, a Federal savings bank, Member FDIC, or its subsidiaries. Bank deposits are FDIC insured up to \$100,000. © 2005 E*TRADE FINANCIAL Corp. All rights reserved.

Member
FDIC



Before fire or other disaster strikes, make sure your homeowners insurance covers rebuilding at today's costs.

HURRICANES KATRINA AND RITA, THE CONSTRUCTION spree in China and the domestic real estate bubble have driven up the demand for just about everything needed to fix and build homes, from labor to Sheetrock. That leaves many homeowners drastically underinsured if the unexpected occurs. Marshall & Swift/Boeckh, a firm in New Berlin, Wis. that tracks building costs for insurers, contractors and appraisers, estimates that three out of five homes in the U.S. are underinsured by an average of 22%.

Check your homeowners insurance policy every few years to see if it's still good enough, given building costs in your area; check annually if the home is worth \$1 million or more. Otherwise "people may find themselves in a position of not having enough insurance to rebuild what they once had," says Scott Spencer, personal insurance appraisal manager for Chubb Group.

Many homeowners assume that a "replacement cost" policy will cover the cost of rebuilding a home of equal quality. There's a gotcha, however. As often as not this turns out to be the replacement cost of

A Good Policy

The time to review your homeowners insurance is before you need it. By Carrie Coolidge



Everyone smile and say "fully vested."

CREATE YOUR OWN PENSION PLAN It's a good feeling, knowing
where you're going. It's an even better feeling being in control of how
and when you get there. Your MetLife advisor can help you build a
custom portfolio of funds and annuities that are right for you, and help
you handle all the details. After all, whose retirement is it anyway?
For more information, call 1-800-MetLife or visit metlife.com

Have you met life today?



MetLife

the structure *at the time the policy was sold*. Meaning: Your policy may not cover such cost-inflating factors as new building codes or price increases for labor, wall-board and two-by-sixes.

A good policy will pay whatever it takes to rebuild your home as it was before the fire or other disaster—even if the cost exceeds the policy limit. This gives you protection against surges in construction costs due to a shortage of building materials after a widespread disaster or another unexpected situation. Expect to pay a 10% to 15% surcharge on the premium for this.

Some insurers offer policies with this level of coverage as standard, but you simply have to check the fine print. In most states Chubb and MetLife have no cap for replacement coverage, while other insurers will pay only 25% above the estimated replacement value of the home. It is not uncommon to find out the hard way that 125% of the value of your home is inadequate if you need to replace a structure that is totally or almost completely demolished.

A good policy will cover, besides the structure, the cost of replacing your possessions and certain out-of-pocket expenses if you have to live elsewhere while repairs are being made. It should also include an inflation protector. Some insurers charge a separate premium for this or raise the premium by 4% or so each year to adjust for it.

Building code changes are a separate issue. If you worry that you will one day have to rebuild the foundation of your home or rewire because of a change in codes, you will need "ordinance and law" coverage. This is an add-on to most policies that will increase the premium by 10% or so. Worth the money—and not only for people living in 18th-century colonials. "If your home is older than 25 years, you ought to investigate it because codes have changed so much since then," says Matthew Cullina, product development manager at MetLife Auto & Home. Homeowners living in earthquake- or hurricane-prone areas should also buy this extra layer of protection because building codes tend to change more frequently in these parts of the country.

Even a comprehensive policy won't entirely cover a home,

Insuring Against Mother Nature

The small proportion of homeowners on the Gulf Coast who had flood insurance when Hurricane Katrina struck in September was a reminder that you need to buy flood and earthquake insurance separately. Damage caused by these perils is not covered by a standard homeowners policy.

Don't count on a government bailout, either. Federal disaster assistance offers loans to cover flood damage but not compensation for your losses, and the loans are only available in the rare event the President formally declares a disaster.

Flood insurance costs \$352 a year for a policy that provides the maximum limit of \$250,000 for damage to a home, and up to \$100,000 for contents. If you need more protection than that, you may be eligible to buy it through an excess flood insurance policy. American International Group's excess flood insurance covers

damage above what the Federal Flood Program pays for, up to the full value of the individual's home and contents, subject to underwriting acceptability. Prices vary based on level of risk. It's a good idea to buy flood insurance even if you live in a low-risk or moderate-risk area. A quarter of all flood insurance claims come from areas with minimal flood risk.

Damage caused by an earthquake is not covered by homeowners insurance either (though fires caused by earthquakes are). Caution: Quake insurance, sold in all states as an add-on to a homeowners policy, in California often excludes out-buildings, swimming pools and masonry walls. Premiums vary widely with geography. The Insurance Information Institute says it costs between \$1 and \$3 annually per \$1,000 of coverage on a wood-sided house in the shaky Pacific Northwest but less than 50 cents per \$1,000 for a similar home on the East Coast. A brick-face home would cost approximately \$3 to \$15 per \$1,000 in the Pacific Northwest and 60 to 90 cents in New York. —C.C.

however, if the homeowner fails to report home improvements or additions. "Each year Americans spend over \$200 billion on remodeling," says Peter M. Wells, president of Marshall Swift/Boeckh. "Adding a deck or remodeling a kitchen significantly increases the value of a home, but homeowners don't always remember to tell their agents."

Homeowners also neglect the value of their personal belongings inside the home. Some policies cover only the depreciated value of property like clothing and appliances. This will not be enough to cover the cost to replace the items with new ones. Look for replacement costs for personal belongings rather than "actual cash value." Most companies provide coverage for 50% to 70% of the amount of insurance you have on the structure of your home. So if you have \$200,000 of insurance on the dwelling, you would have between \$100,000 and \$140,000 of coverage for your belongings.

To get full protection for your valuables, you will need to get appraisals. Items such as artwork, antiques and jewelry should be insured individually on the policy. Hold on to receipts, make a full inventory of your possessions and keep a video record of your valuables, with copies somewhere else, says MetLife's Cullina.

Buy a policy from a highly rated insurance company, which means a grade of "A" or better from A.M. Best. The largest sellers of homeowners insurance include Allstate, State Farm, MetLife Auto & Home, Chubb, USAA, Liberty Mutual, Hartford and Travelers, all rated "A" or better. "A home is probably the largest investment a person will make in his or her lifetime," says Loretta Worters of the Insurance Information Institute. "So you want to do whatever is necessary to protect that investment."



CHECKLIST

- > Review your existing policy to ensure it is sufficient for the current value of your home.
- > Read the fine print on "replacement costs" on new policies.
- > Consider insuring against the cost of code changes if your home is older than 25 years, or if you live in an area prone to hurricanes or earthquakes.
- > Don't overlook the rising cost of replacing possessions inside

All
types
of IT



One
Service
Source

For multi-vendor, cross-platform service and support, Fujitsu is the one.

From mainframes to servers, notebooks, and Tablet PCs, no other company provides the full spectrum of services to support business-critical computing like Fujitsu. In addition to our own products, we support a variety of platforms such as Sun™, IBM®, and HP, plus OS/390®, UNIX®, Windows® and Linux environments. We also provide services that improve the operation of your existing IT investments and drive down costs. So, if it's critically important to a CIO's IT infrastructure, we service it.



PRIMEPOWER® Servers



PRIMERGY® Servers



LifeBook® Notebooks



PRIMEQUEST™ Servers

With more than 30 years of direct experience collaborating with our customers and aligning their IT and business objectives, we've learned what it takes to maintain a wide variety of complex, mission-critical IT environments—and deliver a higher level of service, for multi-vendor, cross-platform environments. We provide a single point of contact and full accountability to reduce the complexity and cost of support, streamlining operations to offer greater business value.

To learn more reasons why CIOs entrust their IT systems to Fujitsu, visit us.fujitsu.com/computers/services or call 1-800-831-3183.

FUJITSU

THE POSSIBILITIES ARE INFINITE

Proven Performance

Choose from over 90 low-cost mutual funds including:

	Overall Morningstar Rating™* (as of 10/31/05)	Average Annual Total Returns as of 9/30/05 1 Year	5 Year	10 Year
Capital Appreciation Fund	★★★★★	12.92%	12.80%	12.52%
Dividend Growth Fund	★★★★	10.98%	2.97%	9.25%
Equity Income Fund	★★★★	12.08%	7.39%	10.88%
Personal Strategy Growth Fund	★★★★★	15.30%	5.29%	10.06%
Value Fund	★★★★	13.70%	7.58%	11.87%

Current performance may be lower or higher than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. To obtain the most recent month-end performance, call us or visit our Web site. Request a prospectus or a briefier profile; each includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing. All mutual funds are subject to market risk, including possible loss of principal.

The Overall Morningstar Rating™ is derived from a weighted average of the performance figures associated with a fund's 3-, 5-, and 10-year (if applicable) Morningstar Rating™ metrics. Capital Appreciation was rated among 704, 704, 528, and 220 moderate allocation funds; Equity Income and Value among 861, 861, 572, and 269 large value funds; and Dividend Growth and Personal Strategy Growth among 1,237; 1,237; 938; and 327 large blend funds for the overall rating and the 3-, 5-, and 10-year (if applicable) periods ended 10/31/05, respectively.

And Low Cost.

Discover why more and more investors are choosing T. Rowe Price.

At T. Rowe Price, we believe you shouldn't have to choose between low expenses and strong performance. We offer a broad range of funds that have received 4- or 5-star risk-adjusted performance ratings from Morningstar. Our active, hands-on approach to investing is just one of the reasons our funds have performed so well over time. We're also dedicated to keeping costs low — we offer funds with no loads, no sales charges, and expense ratios below their Morningstar category averages.

To find out which T. Rowe Price mutual fund is right for your goals and tolerance for risk, visit our Web site or call our Investment Guidance Specialists today.

TROWEPRICE.COM/MUTUALFUNDS

1-888-554-6448



For funds with at least a 3-year history, a Morningstar Rating™ is based on a risk-adjusted return measure (including the effects of the sales charges, loads, and redemption fees) with emphasis on downward variations and consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% 4 stars, the next 35% 3 stars, the next 22.5% 2 stars, and the bottom 10% 1 star. Each share class is counted as a fraction of one fund within this scale and rated separately. Morningstar Rating™ is for the retail share class only; other classes may have different performance characteristics. Capital Appreciation and Personal Strategy Growth received 5 stars for the 3-, 5-, and 10-year periods. Equity Income and Dividend Growth received 3, 4, and 4 stars for the 3-, 5-, and 10-year periods, respectively. Value received 4 stars for the 3-, 5-, and 10-year periods.

© 2005 Morningstar, Inc. All Rights Reserved. The information contained herein is proprietary to Morningstar and/or its content providers. (2) may not be copied or distributed, and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. T. Rowe Price Investment Services, Inc., Distributor.

MPLC072555

Rating Nonprofits

By William P. Barrett

HOW MUCH MONEY DO PHILANTHROPIES GET FROM THE public and what do they do with it? Below we show the results for the 80 biggest. In the online version (www.forbes.com/charities) you'll see numbers for another 120 organizations, as well as such details as compensation for the highest paid people and historical data going back to 1999. The list covers the largest nonprofits based on the amount of private, non-governmental support in the latest available fiscal year. We exclude academic institutions, nonprofits that are either funded by a tiny number of donors (such as most private foundations) or don't

solicit, and religious organizations that don't report numbers.

Our table includes key efficiency ratios and, if available, the trend from the previous reported year. Higher is better, although we urge caution in drawing firm conclusions from comparisons of ratios of different kinds of nonprofits.

Charitable commitment shows how much of the total expenses went for the stated charitable purpose, excluding management, certain overhead and fundraising. Average this year: 85%, up from 83% last year. Fundraising efficiency, perhaps the most closely watched indicator, calculates the share of gifts left after deducting fundraising expenses. Average: 89%, unchanged from last year. The most volatile indicator, donor dependency, down this year, figures how much of the public's support was needed to make ends meet. A number at or above 100% means the nonprofit needed all or more of the 14 nonprofits with a negative number, signifying that the surplus plus was greater than donations, needed no handouts.

Organization/headquarters	Total revenues (\$mil)	Private support (\$mil)	INDEXES AND TRENDS		
			Charitable commitment ¹	Fundraising efficiency ²	Donor dependency
ALZHEIMER'S ASSOCIATION/Chicago IL	\$156	\$131	77 ▲	80 ▼	86 ▼
AMERICAN CANCER SOCIETY/Atlanta GA	926	868	71 ●	80 ▲	87 ▼
AMERICAN DIABETES ASSOCIATION/Alexandria VA	206	161	78 ▲	78 ▲	94 ▼
AMERICAN HEART ASSOCIATION/Dallas TX	612	483	77 ▲	83 ▲	81 ▼
AMERICAN JEWISH JOINT DISTRIBUTION COMMITTEE/New York NY	234	197	93 ▲	98 ▼	84 ▼
AMERICAN LUNG ASSOCIATION/New York NY	163	111	80 ●	83 ●	96 ▼
AMERICAN NATIONAL RED CROSS/Washington DC	3,208	585	91 ●	81 ▲	94 ▼
AMERICARES/Stamford CT	804	801	99 ●	99 ●	101 ▲
AMERICA'S SECOND HARVEST/Chicago IL	551	542	98 ●	99 ●	99 ●
BIG BROTHERS BIG SISTERS OF AMERICA/Philadelphia PA	234	166	79 ●	86 ▼	100 ▲
BOY SCOUTS OF AMERICAN NATIONAL COUNCIL/Irving TX	771	296	87 ●	85 ●	85 ▲
BOYS & GIRLS CLUB OF AMERICA/Atlanta GA	1,186	510	81 ▼	89 ▼	86 ▲
BROTHER'S BROTHER FOUNDATION/Pittsburgh PA	253	253	100 ●	100 ●	90 ▼
CAMPUS CRUSADE FOR CHRIST INTERNATIONAL/Orlando FL	421	383	83 ●	91 ▲	97 ●
CARE USA/Atlanta GA	631	263	91 ▼	91 ▲	75 ▼
CARTER CENTER/Atlanta GA	169	144	91 ▲	95 ▲	66 ●
CATHOLIC CHARITIES USA/Alexandria VA	3,266	581	90 ▲	92 ▼	47 ▼
CATHOLIC MEDICAL MISSION BOARD/New York NY	122	121	96 ●	97 ●	114 ▲
CATHOLIC RELIEF SERVICES/Baltimore MD	568	139	95 ▲	87 ▲	104 ▼
CHILDREN'S MIRACLE NETWORK/Salt Lake City UT	246	240	89 ●	93 ●	100 ▲
CHRISTIAN AID MINISTRIES/Berlin OH	216	211	99 ●	100 ●	95 ▲
CHRISTIAN BROADCASTING NETWORK/Virginia Beach VA	224	149	78 ●	83 ▼	81 ▼
CHRISTIAN CHILDREN'S FUND/Richmond VA	165	153	81 ▲	88 ▲	96 ▼
COMPASSION INTERNATIONAL/Colorado Springs CO	217	216	83 ▲	91 ▲	96 ▲
CYSTIC FIBROSIS FOUNDATION/Bethesda MD	177	119	90 ▲	90 ▲	84 ▼
DANA-FARBER CANCER INSTITUTE/Boston MA	534	149	92 ●	93 ▲	52 ▼
DIRECT RELIEF INTERNATIONAL/Santa Barbara CA	221	221	99 ●	100 ●	58 ▼
DISABLED AMERICAN VETERANS/Cold Spring KY	128	110	68 ▼	70 ▼	91 ▲
DUCKS UNLIMITED/Memphis TN	187	122	86 ●	83 ▼	93 ▼
EASTER SEALS/Chicago IL	814	128	81 ▼	77 ▼	78 ▼
FEED THE CHILDREN/Oklahoma City OK	961	888	92 ▲	93 ▲	95 ▼
FOCUS ON THE FAMILY/Colorado Springs CO	137	127	83 ▼	91 ▼	97 ▲
FOOD FOR THE POOR/Deerfield Beach FL	643	536	96 ▲	96 ●	96 ▼



Supplier Diversity

The Top

50

Organizations for Multicultural Business Opportunities

Produced and written by Jerry Bowles
in association with DiversityBusiness.com

Each year, DiversityBusiness.com, a leading multicultural business resource portal that links large organizational buyers and multicultural business owners, offers minority-owned, women-owned and small businesses the chance to vote for the companies they believe provide the best support to the diversity business community. The winning companies make the Div50, a list of the top corporate and organizational buyers of products and services from businesses owned by women, Blacks, Hispanics, Asians, Native Americans and other minority groups.



Kenton Clarke, CEO,
Computer Consulting
Associates Int'l.

"Diversity businesses are a growing force in the U.S. economy, and a force to be reckoned with," says Kenton Clarke, chief executive officer of Computer Consulting Associates International, the company that built DiversityBusiness.com. "It's no longer only about the *Forbes 2000*. This is a whole business segment that can carry its own, that provides jobs and valuable products and services, and generates wealth for its communities. These are the leaders of American business."

Though effective supplier diversity programs vary from organization to organization, Clarke says that Div50 companies typically follow some best practices that distinguish them from less-successful programs. Among these are:

- A written supplier diversity policy that commits the organization to multicultural procurement practices and establishes a system of accountability
- A supplier diversity policy that is visibly supported at the CEO level with clear senior management buy-in
- Clearly established, company-wide supplier diversity goals at every level of the organization

- Recognition of the importance of the diverse customer to the company's revenue
- Written procedures that specify particular actions all employees must take to ensure inclusion of diverse suppliers
- Responsibility for the program as a company-wide initiative that is not limited to the purchasing staff.

"The companies that make the Div50 list are those that have demonstrated real organizational commitment and leadership in working with diverse suppliers," Clarke says. "They recognize that in today's diverse marketplace, supplier diversity is a business necessity." Major corporations that receive 70% to 80% of their revenues from women and ethnic markets realize it's no longer acceptable to set purchasing goals of 3% to 5% with these groups. Automotive, financial services, consumer products and other industries actively compete for these markets, and the Div50 list is a widely used "consumer guide" in that regard. "Smart companies will start reversing supply chain strategies that maximized procurement spending by using fewer suppliers, to maximizing revenue by having as many suppliers as possible," says Clarke. "After all, e-procurement and other technologies allow you to manage 1,000 suppliers as easily as one."

The Div50

America's Top Organizations For Multicultural Business Opportunities



BellSouth Promotes Diversity Among Suppliers and Employees

When the Georgia Minority Supplier Development Council (GMSDC) announced its 2005 Corporation of the Year award and Crystal Award for the best company in creating partnerships with minority-owned business enterprises (MBEs), no one was surprised at the winner. For the third time in four years, BellSouth was awarded the GMSDC Crystal Award. The minority suppliers who make up the council nominate and vote on the top company.

"Building a strong base of diverse suppliers is at the core of our strategy," says BellSouth Chief Diversity Officer Valencia Adams, who was recently selected as one of the Top 100 Blacks in Corporate America by *Black Professionals* magazine. "Our relationships with minority-owned and disabled veteran-owned business enterprises (MWDVBEs) contribute to customer loyalty, stimulate economic development in our region and tap into the innovation and entrepreneurship we need to win in a competitive marketplace."

Adams points out that since 2000, the company has awarded \$2.7 billion in business to MWDVBE suppliers. Their "market share" of BellSouth's procurement budget has grown by over 78% in just the past four years.

The company's leadership and achievements in supporting diversity have been widely recognized both inside and outside the MWDVBE community. Earlier this year, for example, BellSouth was named one of America's Top Corporations for Women's Business Enterprises by the Women's Business Enterprise National Council (WBENC).

One of BellSouth's many other diversity initiatives involves supporting employee-networking groups. These groups provide employees with opportunities for personal and career development, while enhancing the corporation's collective understanding of the diverse concerns, perspectives and needs of its employees, communities and marketplace. Such insight confers invaluable competitive advantage.

BellSouth's Diversity Council has sanctioned six employee networking groups, which have the full commitment of senior

- | | |
|------------------------------|---------------------------------|
| 1 Bank of America | 28 Northrop Grumman Corporation |
| 2 Lockheed Martin | 29 Altria Group |
| 3 IBM | 29 Walt Disney Company |
| 4 OfficeMax | 30 Bristol-Myers Squibb Company |
| 5 Wal-Mart Stores, Inc. | 31 Fannie Mae |
| 6 BellSouth Corporation | 32 The Home Depot, Inc. |
| 7 Dell, Inc. | 33 Sprint |
| 8 General Motors Corporation | 34 Starbucks Corporation |
| 9 Procter & Gamble Company | 35 Wachovia Corporation |
| 10 Coca-Cola | 36 AT&T |
| 11 UPS | 37 Comcast Corporation |
| 12 SBC Communications | 38 General Dynamics Corporation |
| 13 Time Warner Inc. | 39 McDonald's Corporation |
| 14 Raytheon Company | 39 Ford Motor Company |
| 15 General Mills | 40 Abbott Laboratories |
| 16 Office Depot, Inc. | 41 Cisco Systems, Inc. |
| 17 PepsiCo, Inc. | 42 Citigroup Inc. |
| 18 Verizon | 43 Coca-Cola Enterprises |
| 18 Hewlett-Packard Company | 43 Pitney Bowes |
| 19 Xerox | 44 Major League Baseball |
| 20 Adolph Coors Company | 45 Freddie Mac |
| 21 DaimlerChrysler | 45 General Electric Company |
| 22 Toyota | 46 Johnson & Johnson |
| 23 ExxonMobil | 47 Progress Energy, Inc. |
| 24 American Express | 48 Pfizer Inc. |
| 25 Avon Products, Inc. | 49 Verizon Wireless |
| 26 Boeing Company | 49 Chevron Texaco Corporation |
| 27 Microsoft Corporation | 50 Sempra Energy |

Source: DiversityBusiness.com

Note: Multiple organizations were tied in this year's rankings.

Hard workers. High achievers. Visionaries.



Just a few words to describe the people behind the businesses that are a part of BellSouth's supplier diversity program. They want to work with a company that works as hard as they do, to be the very best. A company that actively pursues relationships with businesses from different backgrounds. A company that values diversity. BellSouth has worked hard to be that company. Through our Minority, Women and Disabled Veterans Business Enterprise Program, BellSouth embraces and nurtures the diverse suppliers in our community, making sure they are included in BellSouth's procurement process.

We were named one of the **"Top 10 Corporations for Supplier Diversity"** by DiversityInc, **"America's Top Corporations for Women's Business Enterprises"** by the Women's Business Enterprise National Council and selected one of **"America's Top Organizations for Multicultural Business Opportunities"** in 2002 - 2004 by DiversityBusiness.com. That's why, when suppliers want to know which companies value partnerships with diverse businesses, we can proudly say that we are that company.

 **BELLSOUTH**
Listening. Answering.®
bellsouth.com



Major corporations that receive 70% to 80% of their revenues from women and ethnic markets realize that it's no longer acceptable to set purchasing goals of 3% to 5% with these groups.

management and financial support from the company. BellSouth networking groups' membership comprises more than 6,500 employees. Each group has a "champion" who is an officer of the company and serves in an advisory role. The groups are: BellSouth Network of African-American Telecommunications Professionals (BNAT), Alianza (Hispanic alliance), New Associates Networking for Gay and Lesbian Equality (NewANGLE), BellSouth Women's Networking Alliance (BWNA), The Inter-tribal Council of BellSouth Employees (ICBE) and BellSouth Pan-Asian Council of Employees (PACE).

"Employee-networking groups are a means of strengthening our commitment to inclusion by affording employees the opportunity to connect with others, share common experiences and play a vital role in helping all BellSouth employees become fully engaged in the mission of our business," Adams says.

For more information on BellSouth's supplier diversity initiatives, visit www.bellsouth.com/suppliers/promotingupplier.htm.

The Home Depot Builds Diversity Into the Supply Chain

Before The Home Depot®, the world's largest home improvement specialty retailer and the second-largest retailer in the U.S., launched a bold new supplier diversity program, it benchmarked other leading companies for best practices to bring more qualified minority-owned, women-owned and small businesses into the fold. Now, two and a half years later, it's not uncommon to find that The Home Depot is the company others are benchmarking.

"We've been amazed at the progress we've made in a relatively short period of time," says K. Michelle Sourie Johnson, The Home Depot's director of supplier diversity. "One of the major drivers of that success has been the use of technology to streamline the communications between prospective suppliers and our 350 to 400 associates with buying responsibility."

The Home Depot's state-of-the-art information system allows qualified prospective suppliers to apply for consideration directly at the company's Web site (www.homedepot.com/

supplierdiversity). Within 72 hours, suppliers will receive confirmation that their comprehensive application has been forwarded to the appropriate buyer(s) for review. Buyers then have 60 days to respond to all applications from prospective diverse and small suppliers, or a report is sent to their vice president.

The Home Depot has made its supplier-buyer links more robust by enhancing the information system so suppliers can do more than simply fill out a standard application and wait to see what happens. Prospective sellers can now upload complete marketing proposals, catalogs, PowerPoint slides and other supplemental material, as well as address category-specific questions from The Home Depot buyers.

The Home Depot also has an extensive outreach program that includes sponsoring diverse and/or small suppliers in an advanced executive management training program run by the Tuck School of Business at Dartmouth College and the Women's Business Enterprise National Council. The company has a similar arrangement for minorities with the Kellogg School of Business at Northwestern University and the National Minority Supplier Development Council.

"We've recently launched a national program with the Small Business Development Center to provide scholarships for a 10-week program called Fast Trac," says Johnson. "We're encouraging other major corporations to join us in this development endeavor, as Fast Trac provides solid grounding for CEOs of diverse and/or small businesses in all aspects of business planning."

"We also sponsor the Georgia Governor's Mentor Program, in which we're currently mentoring Gwen Thomas, a minority woman who owns a full-service HR solutions firm called HR Now! As a part of the 18-month intensive mentorship plan, we've already exposed Gwen and her team to nearly 50 officers throughout The Home Depot, including financial, legal, merchandising and marketing, instead of following traditional standards and limiting her engagement to the HR function. Approaches such as this expose diverse and small business owners to the vast resources of our strong organization and remind everyone that fostering diversity is simply part of The Home Depot culture."

For more information, please visit www.homedepot.com/supplierdiversity.

e salute the diversity that makes our supplier partners _____.

unique

insightful

powerful

valuable

successful

our Associates to our CEO, The Home Depot® is dedicated to developing new partnerships with
se and small businesses. We want you to join our team. To learn about how you can become a
ess partner or for more information on our Supplier Diversity Program, call 1-866-SD-AT-THD
-8843), or visit us at www.homedepot.com/supplierdiversity.
s more than a store. We're an open door.



**You can do it.
We can help.**

Raytheon continued its strong support of diverse suppliers in 2004. According to John Harris, vice president of Contracts and Supply Chain, more than 40% of the purchases in support of Department of Defense (DoD) contracts — roughly \$1.5 billion — was from small businesses. And a little more than 6.5%, or \$244 million, of that total came from minority-owned businesses.

The goal of Raytheon's Supplier Diversity program is to provide an environment that fosters the inclusion of small businesses (including those owned by minorities, women, veterans, service-disabled veterans and those located in historically underutilized business zones, or HUB zones).

The supplier diversity program is integral to the company's overall strategic plan. Much emphasis is placed not only on integrating diversity suppliers into corporate programs, but also on preparing diversity suppliers to meet the company's needs. To build this network, Raytheon engages in mentor-protégé programs and other sourcing projects that can identify and train the right suppliers. For example, the company participates in the DoD Mentor-Protégé program, which provides crucial technical and

developmental assistance to small, disadvantaged businesses. Raytheon won a 2004 Nunn-Perry award from the Department of Defense Office of Small and Disadvantaged Business Utilization for its work with the MIRATEK Corporation in El Paso, Tex., and received two Nunn-Perry awards in 2005.

"Raytheon is fully committed to our diverse supply base. They are a wonderful source of innovation, speed and agility that enables our customers' success," says Harris.

"We recognize the valuable contribution diversity businesses make to our overall commitment to deliver the best customer solutions," says Benita Fortner, director of Supplier Diversity. "All our buyers and source-selection personnel are trained to identify opportunities for these businesses to participate in key programs and strategic product and service agreements. Each business has supplier diversity procurement goals." Recent successful collaborations include minority-owned businesses like Tampa Bay and Aluminum, Banneker, MIRATEK and Minco Technology. Raytheon has helped them integrate and implement supply chain methodologies, as well as Raytheon Six Sigma™ processes and tools. For more information, please visit www.raytheon.com.

Raytheon Six Sigma is a trademark of Raytheon Company.

A diversity of great technology and solutions starts with a diversity of great people



At Raytheon, an inclusive culture is one of the things we believe gives us a competitive advantage. By recognizing the uniqueness of individuals, empowering employees, and truly valuing their input, our company consistently performs beyond all expectations. It's a philosophy we'll always embrace. It's right for people, and it's right for business.

We're proud to feature Raytheon employees in our ads.
To join them in a rewarding career, visit

www.rayjobs.com

© 2005 Raytheon Company. All rights reserved. Raytheon is an equal opportunity, affirmative action employer and welcomes a wide diversity of applicants. U.S. citizenship and security clearance may be required.

Raytheon

Customer Success Is Our Mission

Organization/headquarters	Total revenues (\$mil)	Private support (\$mil)	INDEXES AND TRENDS		
			Charitable commitment ¹	Fundraising efficiency ²	Donor dependency ³
FTS IN KIND INTERNATIONAL/Alexandria VA	\$826	\$822	100 ●	100 ●	98 ▼
RL SCOUTS OF THE USA/New York NY	775	142	84 ●	73 ▼	54 ▼
ODD WILL INDUSTRIES INTERNATIONAL/Rockville MD	2,390	398	87 ▼	96 ▼	79 ▲
ABITAT FOR HUMANITY INTERNATIONAL/Americus GA	886	422	83 ▲	85 ▲	75 ▼
COPE FOR THE CITY/Minneapolis MN	109	108	100 ●	100 ●	100 ●
EWISH FEDERATION OF METROPOLITAN CHICAGO/Chicago IL	167	110	85 ▼	91 ▼	69 ▼
JUVENILE DIABETES RESEARCH FOUNDATION INT'L/New York NY	183	171	85 ▲	92 ▲	89 ▼
NG BENEVOLENT ASSOCIATION/Bristol VA	190	188	100 ●	100 ●	186 ▲
UKEMIA & LYMPHOMA SOCIETY/White Plains NY	180	175	74 ▼	83 ●	95 ▼
AKE-A-WISH FOUNDATION OF AMERICA/Phoenix AZ	160	154	76 ▼	85 ●	92 ▼
AP INTERNATIONAL/Brunswick GA	259	256	99 ●	99 ●	93 ▼
ARCH OF DIMES BIRTH DEFECTS FOUNDATION/White Plains NY	224	204	75 ▲	82 ▲	96 ▲
ARINE TOYS FOR TOTS FOUNDATION/Quantico VA	186	186	98 ▲	98 ▲	98 ▲
AYO FOUNDATION/Rochester MN	5,616	188	94 ▼	88 ▼	-161 ▼
EMORIAL SLOAN-KETTERING CANCER CENTER/New York NY	1,686	213	94 ▲	88 ▲	-4 ▲
OUNT SINAI/New York NY	1,750	170	82 ▲	98 ●	153 ▼
USCULAR DYSTROPHY ASSOCIATION/Tucson AZ	202	175	74 ▼	81 ▼	88 ▼
USEUM OF FINE ARTS, HOUSTON/Houston TX	307	238	94 ▲	99 ▲	17 ▼
USEUM OF MODERN ART/New York NY	249	116	76 ▲	94 ▲	2 ▼
AT'L ASSN. FOR THE EXCHANGE OF INDUSTRIAL RESOURCES/Galesburg IL	144	131	98 ▼	99 ▼	89 ▼
NATIONAL MENTAL HEALTH ASSOCIATION/Alexandria VA	218	124	87 ▼	97 ▲	99 ▼
NATIONAL MULTIPLE SCLEROSIS SOCIETY/New York NY	184	173	78 ●	84 ▼	98 ▼
NATURE CONSERVANCY/Arlington VA	858	437	78 ▼	88 ▼	22 ▼
HE NAVIGATORS/Colorado Springs CO	113	108	84 ●	94 ▲	94 ▼
EW YORK-PRESBYTERIAN HOSPITAL/New York NY	2,387	141	88 ●	94 ▲	-55 ▼
ORTHWEST MEDICAL TEAMS INTERNATIONAL/Portland OR	148	146	98 ▲	98 ▲	100 ▲
PERATION BLESSING INTERNATIONAL RELIEF/Virginia Beach VA	245	230	99 ●	100 ●	96 ▼
ANNED PARENTHOOD FEDERATION OF AMERICA/New York NY	877	216	83 ●	81 ▼	68 ▼
UBLIC BROADCASTING SERVICE/Alexandria VA	512	235	97 ▲	100 ●	111 ▲
ALVATION ARMY/Alexandria VA	3,104	1,546	83 ●	92 ▲	69 ▲
AMARITAN'S PURSE/Boone NC	238	225	90 ▲	96 ▲	90 ▼
AWE THE CHILDREN FEDERATION/Westport CT	271	124	90 ▼	87 ●	78 ▼
CHOLARSHIP AMERICA/St. Peter MN	150	130	92 ▼	96 ▼	85 ▲
HRINERS HOSPITAL FOR CHILDREN/Tampa FL	947	245	94 ▲	99 ▲	-68 ▲
PECIAL OLYMPICS/Washington DC	210	166	72 ●	74 ▼	95 ▲
T. JUDE CHILDREN'S RESEARCH HOSPITAL/Memphis TN	538	437	76 ▲	83 ▼	75 ▲
USAN G. KOMEN BREAST CANCER FOUNDATION/Dallas TX	135	129	76 ▼	88 ▼	96 ▼
RINITY BROADCASTING NETWORK/Santa Ana CA	219	161	72 ▼	89 ▼	57 ▲
JA/FEDERATION OF NEW YORK/New York NY	230	166	77 ▼	83 ●	70 ▼
NITED NEGRO COLLEGE FUND/Fairfax VA	179	167	81 ▼	91 ▲	77 ▼
NITED STATES FUND FOR UNICEF/New York NY	250	240	87 ▼	91 ●	98 ▼
NITED WAY/Alexandria VA	3,844	3,884	86 ●	91 ●	100 ●
ORLD VISION/Federal Way WA	807	514	87 ▲	88 ▲	101 ▲
YCLIFFE BIBLE TRANSLATORS/Orlando FL	142	134	83 ▲	95 ●	85 ▼
MCAS IN THE UNITED STATES/Chicago IL	4,832	773	82 ●	90 ●	53 ▼
OUNG LIFE/Colorado Springs CO	171	138	83 ▲	93 ▲	95 ▼
WCA OF THE USA/Washington DC	792	132	85 ▲	83 ▼	71 ▼
AVERAGE FOR ALL 200 (including those listed at www.forbes.com/charities)			85 ▲	89 ●	73 ▼

Figures are for the latest available fiscal year. Results may be skewed due to unconsolidated data of national and affiliate groups, rounding or incomplete information. ▲ Ratio increase from previous available period. ▼ Ratio decrease from previous available period. ● No change or no comparable data. ¹Charitable services as percent of total expenses. ²Percent of private support remaining after fundraising expenses. ³Percent of private support remaining after surplus. Sources: IRS Form 990; annual report or statement of individual charities; www.guidestar.org; www.ministrywatch.org; www.give.org; Minnesota Attorney General's Office; Chronicle of Philanthropy.

Tax Planning In the Dark

When Congress is in session, it's best to arrange your financial affairs very defensively. Herewith, some specifics. *By Janet Novack*



FROM THE START OF 2001 THROUGH THIS PAST SEPTEMBER Congress made (by tax publisher CCH's count) 1,971 changes to the U.S. tax code—roughly 3 for each day it was in session. And all this tinkering produced what? The need for still more changes, of course.

Under current law millions are menaced by the Alternative Minimum Tax, the estate tax dies in 2010 and is reincarnated in 2011, and President George W. Bush's big income tax cuts all disappear by 2011. Meanwhile, a host of other breaks expire each year. Typically, however, such breaks are resuscitated at the last minute. Among those expiring at the end of 2005: deductions for state and local sales taxes and college tuition, and measures that keep the number of families paying AMT from quintupling.

To add to the uncertainty, President Bush is considering pushing tax reform, as President Ronald Reagan did during his second term 20 years ago. In November a Bush-appointed

reform advisory panel proposed repealing the AMT, limiting the home mortgage interest tax break, wiping out any deduction for state and local taxes, and revamping retirement, education and health care savings accounts.

"Everything is in play right now. It's the most difficult time to plan since 1986," laments Thomas Ochsenchlager, vice president for tax of the American Institute of Certified Public Accountants.

Only this time it could take longer for the fog to lift. "We're going to be in a period of uncertainty for the foreseeable future," opines Mark A. Weinberger, President Bush's first tax policy chief, now at Ernst & Young. He speculates it might be 2008 before a "trifecta" of issues—the imminent expiration of the Bush tax cuts, retirement of the baby boomers and explosion of the AMT—forces Congress to make the tough choices.

In the meantime here's what a rational taxpayer can do.



I give my people the Corporate Card.

I give them a simple way to manage expenses and earn rewards.

I give them the resources and support they need.

I give them the tools to get things done.

Give your employees better tools for their jobs and yours.
The American Express[®] Corporate Card. Expense management solutions for mid-size companies.

CALL 877-AXP-2892 OR VISIT CORP.AMERICANEXPRESS.COM/MIDSIZE



HEDGE AGAINST HIGHER RATES

Sure we could end up with a slightly lower top rate and almost no deductions, as the reform panel proposed. But given projected budget deficits (which Bush essentially told his panel to ignore), both the overall tax burden and marginal rates are more likely to go up. Republican leaders indeed want to make the Bush tax cuts permanent. But as of mid-November the law was this: On Jan. 1, 2009 the long-term capital gains and dividend rates, which both now top out at 15%, revert to their pre-2003 tax treatment—which means 20% for gains and 35% for dividends. On Jan. 1, 2011 the top 35% levy on ordinary income (salary, interest and business income) climbs back up to 39.6%.

A Roth Individual Retirement Account makes a dandy hedge against higher rates—particularly for young folks likely to graduate to higher brackets—even if rates don't rise. You deposit aftertax dollars into a Roth, and all withdrawals after five years and age 59½ are tax free. By contrast, pretax money goes into a traditional IRA or 401(k), and every dollar that comes out is taxed as ordinary income, at the rates then in effect.

In 2006 a childless couple claiming only the standard deduction pays a marginal tax rate of only 15% on earnings of up to \$78,200 and 25% on up to \$140,600. Reasonable savings strategy for taxpayers in those brackets: Put enough pretax money into your 401(k)s to grab any employer match and then contribute the maximum \$4,000 each (\$4,500 if you're 50 or older) to Roth IRAs before adding more funds to your 401(k)s. If you need cash before retirement, you withdraw the original Roth IRA contributions without tax or penalty.

Couples earning more than \$160,000 don't qualify for Roth IRAs. But beginning in 2006 companies can offer a Roth option within 401(k)s, where no income ceiling applies. As of October 17% of employers surveyed by the Profit Sharing/401(k) Council of America intended to offer a Roth option; another 41% were on the fence.

At the high end of the earnings spectrum, PricewaterhouseCoopers partner Bernard Kent is steering clients away from nonqualified deferred compensation plans. Once a coveted perk, these plans allow a big chunk of an exec's salary to be held by the company and grow tax deferred. The downside, notes Kent, is that any investment gains, along with the deferred pay, are taxed as ordinary income at whatever (maybe higher) rates are in effect at withdrawal. Further diminishing the plans' appeal: In 2004 Congress changed the rules to make it much more difficult for an executive to withdraw his deferred stash if his company gets in trouble.

Take the income now, he says, pay your taxes, invest what's left, and your gains will be taxed at only 15%.

Now You See It ...

Expiring tax breaks are part of a budget accounting game that has allowed Congress to hand out tax goodies.

BREAK	EXPIRES ¹
AMT relief measures	12/31/2005
\$4,000 deduction for college tuition	12/31/2005
Sales tax deduction	12/31/2005
\$250 deduction for teachers buying supplies	12/31/2005
Research and experimentation credit	12/31/2005
Welfare-to-work credit (for employers)	12/31/2005
Indian employment tax credit (for employers)	12/31/2005
Low income savers credit	12/31/2006
15% top rate for capital gains	12/31/2008
15% top rate for qualified dividends	12/31/2008
Lower ordinary income rates	12/31/2010
Expanded child credit	12/31/2010
Marriage penalty relief	12/31/2010

¹Law as of mid-November. Sources: CCH; Joint Committee on Taxation.

Wait a minute, doesn't that 15% rate expire soon? Short of a Republican electoral disaster, some preferential rate for capital gains seems likely to survive. But there's no guarantee it will stay as low as 15%, making now a good time to take gains.

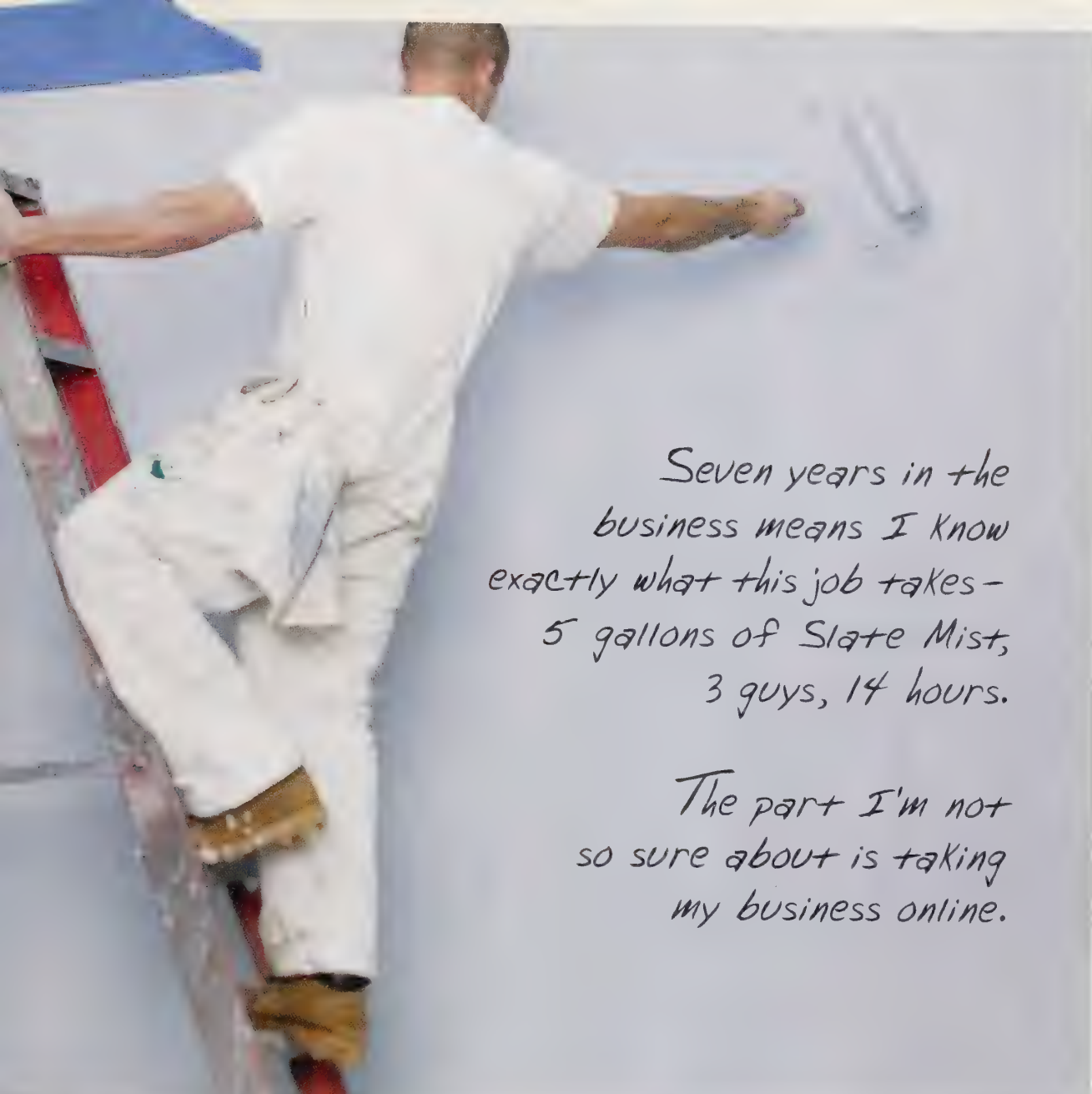
GET USED TO THE AMT

If you're one of the 4 million taxpayers paying AMT for 2005, don't look for relief soon. The AMT requires a taxpayer to figure his bill two different ways and pay the higher tab. It was adopted in 1969 to make sure millionaires with oil wells and exotic shelters paid at least some tax. But today AMT victims typically have incomes of \$200,000 to \$500,000 and are being punished for such exotic deductions (disallowed in AMT) as state and local taxes and kids. If the about-to-expire "patch" isn't renewed, an additional 17 million folks, including three-fourths of those with income of \$100,000 to \$200,000, will end up paying AMT.

If you're in AMT territory, try to hold down items it disallows, such as investment expenses, unreimbursed business expenses and interest on a home-equity line not used for house improvements. (For example, hedge funds' fat managers' fees usually trick through to your return as an investment expense, but mutual fund fees don't.) Watch out for "private activity" muni bonds for things like sports stadiums, which are taxable in the AMT. Short of moving, you can't avoid a high state and local tax bill, but you can sometimes control the AMT damage by cleverly timing tax payments. (You'll need software or a tax pro to run those numbers.)

And if you're stretching your budget to buy a house in a high-cost/high-tax area, be sure to con-

**THE AMT
PUNISHES
TAXPAYERS
FOR EXOTIC
DEDUCTIONS
LIKE KIDS
AND BIG
STATE AND
LOCAL TAX
BILLS.**



*Seven years in the
business means I know
exactly what this job takes -
5 gallons of Slate Mist,
3 guys, 14 hours.*

*The part I'm not
so sure about is taking
my business online.*

Talk to our Do-It-For-Me Web Site Design™ Professionals, or use our Easy Build-It-Myself Web Site™ tools and templates. You'll have a custom-designed Web site up and running before the first coat dries. Call or visit us to learn more, and to find out all the ways we can help take your business farther.

Easy Build-It-Myself Web Site™
Do-It-For-Me Web Site Design™
One-to-One Personal Customer Service™
Personalized E-mail
Online Sales & Marketing Tools



Network**Solutions**

Go Farther™

or click: 1.866.455.2005 | www.networksolutions.com

sider the AMT. Silicon Valley tax pro Claudia Hill recently warned her own daughter and son-in-law not to include any federal deduction for the prospective \$15,000 real estate tax bill in their calculations of whether they could swing a house.

The President's reform panel made clear how hard it would be to fix the AMT without busting the budget. If Congress decides to simply repeal the AMT, without touching current deductions, it would take an 11% across-the-board rate increase to make up the lost revenues—boosting the top 35% tax rate to 39% and the 25% rate to 28%. Instead the panel proposed eliminating the dual tax system by, in effect, making the regular tax more like the AMT, with no deduction for state and local taxes.

WATCH YOUR BACK

With Congress on the prowl for revenues to pay for further tax-cut extensions, any break that can be cast as a “loop-hole” is fair game. Last year, to pay for corporate tax breaks, Congress cracked down on inflated deductions for donating clunker cars to charity. In a bill recently approved by the Senate Finance Committee to extend expiring provisions, Congress would clamp down on still other donation abuses and broaden the reach of the kiddie tax, which taps a child's unearned income over \$1,600 (for 2005) at a parent's higher rate. The tax now ends the year a kid hits 14. This little-noticed proposal would raise \$2 billion over ten years by upping that age to 18.

Realtors, builders and a lot of politicians have vociferously attacked the Bush reform panel's proposal to sharply limit the mortgage tax break to a 15% credit on mortgages no larger than \$412,000. This led some analysts to pronounce any mortgage-interest cutback dead. Yet some limits suggested by the panel could reemerge—for example, denying a deduction for second homes or for the \$100,000 in home-equity borrowing for nonhouse purposes. The latter already is disallowed in the AMT. The panel's report, observes Clint Stretch, director of tax policy for Deloitte Tax, provides “a shopping list of things that could rationally be done.” He warns that while the tax reform in 1986 was revenue neutral, the next big “reform” could mean a tax increase.

DON'T WRITE OBITS FOR THE DEATH TAX

Chances that Republicans can permanently repeal the estate tax are fading. Under current law the amount each individual can pass to heirs free of estate taxes rises to \$2 million in 2006 and \$3.5 million in 2009. The tax disappears in 2010 and reappears with a paltry \$1 million exemption and top 55% rate in 2011. Over that whole period the amount of the exemption you can use to make gifts during your life remains stuck at \$1 million.

What's likely is a compromise—say a permanent \$3 million to \$5 million exemption and a lower rate. But not just yet. In an office pool, CCH Principal Federal Tax Analyst Mark Luscombe has picked 2009 as the year of a deal. In the meantime? Don't make any taxable gifts above that \$1 million, since the gift tax rate will likely drop as part of a deal, says Kent. Be sure, however,

to use your annual gift exclusions. You can give \$11,000 per year (\$12,000 as of 2006) to any and every person you want, without counting it against your lifetime exemption. You can also pay anyone's educational or medical expenses directly without worrying about the gift tax.

Similarly, unless your assets are more than \$10 million (per couple), don't set up a new family limited partnership, says Phoenix CPA Edward Zollars. Recent court decisions show that widely marketed devices can reduce estate taxes, but only if you really give up control of assets in the partnership and respect the formalities. That means hefty legal and accounting fees. “The care and feeding will run well into the five-figure range on an annual basis,” Zollars says.

None of this means, however, that you should put planning on hold. Instead, make sure your estate plan is flexible enough to deal with constant changes. The standard plan for an upper-middle-class couple is designed to preserve both spouses' exemptions, without leaving the surviving spouse strapped for funds. At the death of the first spouse the exempt amount goes into a “bypass trust” for the kids and the rest goes directly to the surviving spouse. (Spouses can leave each other an unlimited

DON'T PUT OFF ESTATE PLANNING, BUT MAKE SURE YOUR PLAN CAN DEAL WITH CONSTANT CHANGE.

amount, free of estate tax.) The bypass trust can pay income and, if needed, principal—to the surviving spouse. But it is part of the taxable estate of the survivor.

Problem: As the exemption moves higher, that bypass trust could end up holding all of an upper-middle-class couple's assets and be a pain for the survivor. One solution, says New York estate attorney Bruce Steiner, is to give the surviving spouse lots of control over the trust. Do that by naming the survivor as cotrustee; giving the survivor the power to replace the other (nonfamily) trustee; and even allowing the survivor to add or remove beneficiaries of the trust.

That won't work for every family. Second marriages and family strains may require a different approach. And state estate taxes must be considered, particularly since Congress has axed a federal credit for state estate levies. A third of the states still tax estates; some allow a less generous exemption than do the feds.

In 2006 putting the full \$2 million federal exemption in a bypass trust for the kids will cost a family in New Jersey where the exemption is only \$675,000, almost \$100,000 in state estate tax—a painful and possibly unnecessary hit if \$2 million is all a couple has. Steiner suggests two bypass trusts: one funded for \$675,000 and the second an empty “disclaimer” trust. The surviving spouse is left everything over \$675,000 directly, yet can elect to “disclaim” some assets into the second trust, basing his or her decision on which way the estate tax winds are blowing.

MONEY MANAGEMENT IS WHAT WE DO®.*



*** But we also know some dividends
have nothing to do with numbers.**

What's the point of having great wealth if you spend your time worrying about it? As a Lehman Brothers company, Neuberger Berman believes money should provide comfort, not concern. That's why we provide a wide range of money management services designed to preserve your capital and enhance your portfolio. For over 60 years, we've focused on customized service, uncovering investment opportunities that are right for you. Remember, with wealth comes peace of mind. Whether you have \$1 million or \$100 million to invest in a customized portfolio, call us at 877.232.4859, or visit us at www.nbc.com.

MONEY MANAGEMENT IS WHAT WE DO:

NEUBERGER BERMAN

A Lehman Brothers Company

Press Lords

Big newspapers are in trouble, but the small ones are thriving
How to start your own publishing mini-empire. By Christopher Stein

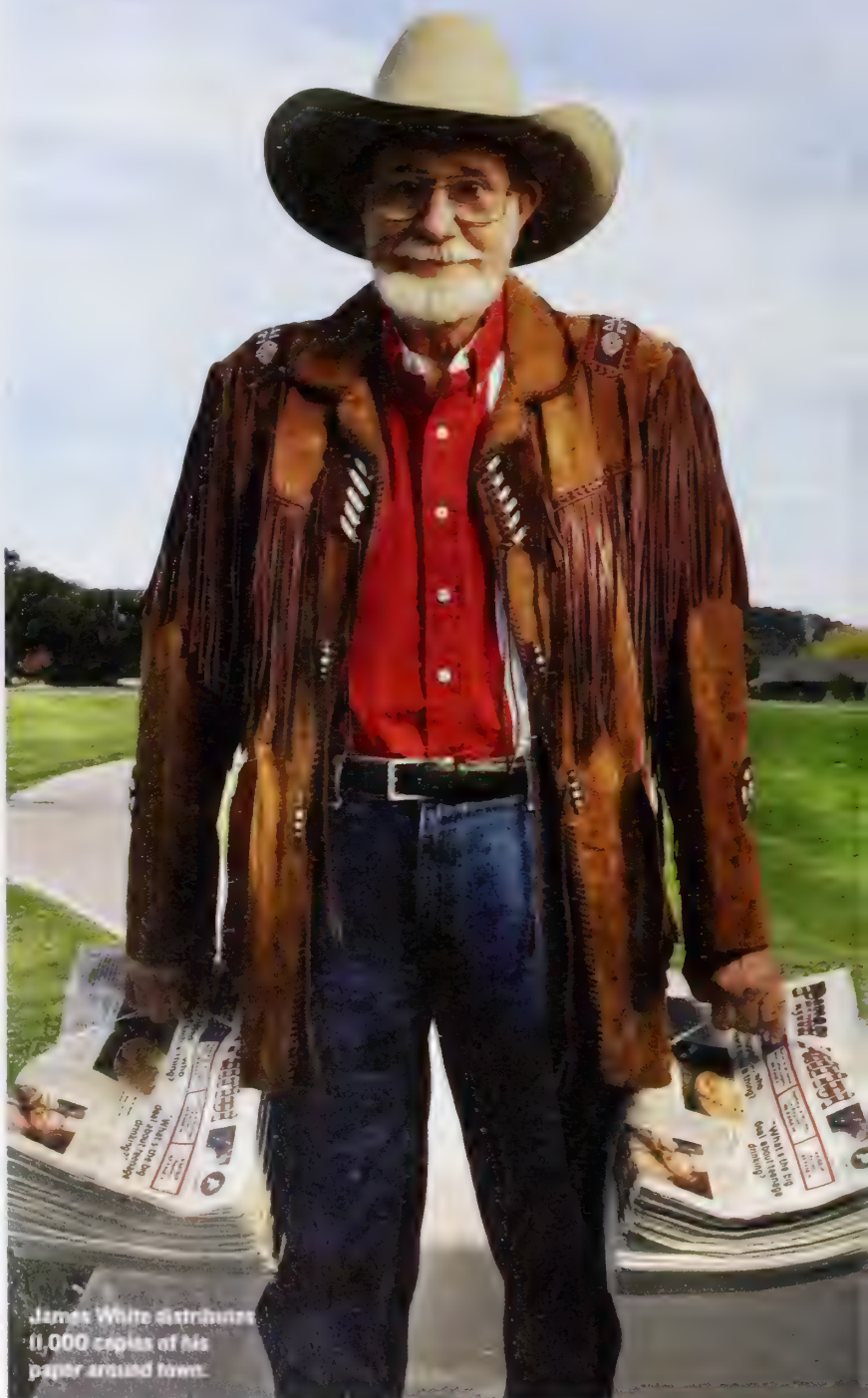
THE ROMANCE OF OWNING a small-town newspaper beats strongly within James White. Now that he has sold his lucrative dental insurance business, White throws himself into the paper he started in Payson, his central Arizona town (pop. 14,000), last January.

The novice publisher and editor in chief strives to be a latter-day version of another small-town journalist with the same last name. William Allen White was the famed "country editor" who ran the *Emporia Gazette* in Emporia, Kans. in the early 20th century with aims of informing the populace and, in his words, "taking the hide off somebody."

James White's four-color monthly, the *Payson Patriot*, zaps the town's government for overspending, crusades against domestic violence and ferrets out the cheapest supermarkets (a comparison-shopping article found Wal-Mart beat competitors like Safeway for a basket of staple items). One recent story showed how "fence rustlers" are tearing down chain-link fences to sell to receivers of stolen goods. And it's happening, an outraged *Patriot* thunders, "in broad daylight."

When his paper debuted, it fell somewhat short of the *New York Times*. Misspellings and grammar gaffes riddled his first effort. "It was terrible," he says. The editing and proofreading have improved since.

Startup costs were low. White spent \$7,000 on computers, newsstand racks and software. White, who will publish semi-monthly starting next year, will keep his month-to-month costs of \$6,000 from ballooning by printing smaller runs. Working out of his home with five part-time reporters and two part-time ad-sellers, he is almost breaking even.



James White distributes 11,000 copies of his paper around town.

Outlook: Sacramento Business Profiles

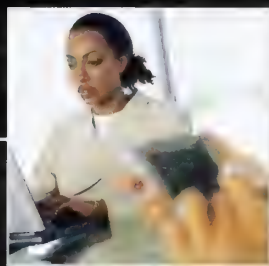
California's capital city blends gold-rush-era charm and contemporary sophistication in a lush landscape of evergreens and fruit trees.

Residents and visitors enjoy a sunny climate, stunning floral spectacles and socializing in the many new cafés that have opened in Midtown.

Low-cost housing and a wealth of opportunities in everything from agriculture to high technology continue to attract many new workers to Sacramento. In turn, these workers contribute to a dynamic business environment, providing local companies with the skilled labor they need to grow and thrive in the 21st century.

On the next page, you will learn about one of Sacramento's leading companies providing top-quality products and services to Californians. Whether you are just starting your career or are

already enjoying the rewards of a job well done, these experts can help you make the most of the present and plan for the future.



Featured Company

Irwin Union Bank, FSB
www.irwinunionbank.com

Outlook: Sacramento Business Profiles

Irwin Union Bank Posts Phenomenal Growth After One Year in Sacramento

Irwin Union Bank entered the Sacramento market on October 1, 2004, with no customers and a name that was new to California. As of late October 2005, it had \$80 million in loan commitments, with \$100 million projected for year-end 2005.

How to explain this phenomenal growth?

Several factors enabled the bank to hit the ground running, according to Gary Leduc, market president of the Sacramento commercial banking office. "From the start, we had the full support of senior management, who continue to travel here on a regular basis and join us in meeting with prospects. We also had the necessary technology to stay connected to the mother ship in Indiana, with complete access to all the information we needed. In 28 years in banking, I've never worked anywhere where that's happened."

Perhaps most important of all, Leduc continues, is the bank's commitment to relationship banking and its ability to offer "big-bank products with a small-bank feel."

Relationship Banking for Retail, Commercial and Private Banking Customers

Irwin Union Bank specializes in retail and commercial banking services. Its typical client is a manufacturer, wholesaler, distributor or contractor with revenues of \$10 to \$250 million and credit needs in the \$2.5 million to \$10 million range. The bank also provides treasury management services; single-family acquisition and development financing for builders; and land, construction and permanent loans for office, retail and industrial development.



Irwin Union Bank, FSB

www.irwinfinancial.com

2520 Venture Oaks Way, Suite 140
Sacramento, CA 95833
916-561-8508



Gary Leduc
Market President

Christina Mastin
Deposit Manager

Santos Serrano
Portfolio Manager

Sue Campbell
Portfolio Manager

Dennis Raymond
Commercial Real Estate Lender

Beth Leonard
Commercial Lender

In addition, Private Banking provides wealth management solutions that allow individuals to become clients earlier in their financial development than at many other banks.

All of these services are available under one roof, making it very convenient for customers to take advantage of them, Leduc says. "Customers enjoy one-stop shopping and consistency of delivery. And our flat organizational structure facilitates rapid turnaround of loan applications."

Long History of Success

Although brand new to the Sacramento market and, indeed, to the Golden State (the bank opened a second California office, in Costa Mesa, in March 2005), Irwin Union Bank and its parent company, Irwin Financial Corporation, have a long history of success. The bank, founded in 1871, survived the Great Depression and "has

historically been viewed by customers as a safe place to put their money over a long period of time," Leduc says.

Irwin Financial Corporation, based in Columbus, Indiana, is a \$6 billion powerhouse traded on the New York Stock Exchange (NYSE: IFC). In 2000, it was named the 15th best publicly traded banking company by *American Banker*.

Currently in nine states, Irwin Union Bank prefers to grow organically – that is, to start from scratch as it did in Sacramento – rather than through acquisition. The Sacramento office is part of a master plan for controlled growth at a rate of approximately two offices annually in the Western United States.

"Irwin Union Bank has all the products and services necessary to compete against any bank in the Sacramento marketplace," Leduc says. "We're ready, willing and able to respond to all requests in an expedient, professional fashion."

Attend THE World Money Event for Investors—Absolutely FREE!

Join Us for a Celebration
of the Global Marketplace

The WORLD MONEY SHOW

Uniting the Global Investment Community

Orlando, Florida USA

February 1 - 4, 2006 • Gaylord Palms Resort

You are invited to be our guest at **The World Money Show**—the largest gathering of investors, traders, experts, and product-and-service providers that the world has ever seen. At The World Money Show you will join 10,000+ like-minded investors who will gather to gain insights, wisdom, and advice from over 100 top US and international financial experts and to compare over 250 financial product-and-service providers from around the globe.

International Programming Offers a World of Investment Opportunities

The World Money Show Orlando will feature over 250 financial services companies, 60 internationally renowned speakers and keynote presenters, exciting panel discussions and special events, 200+ educational presentations and programs to assist financial services companies in reaching the international investor. With more than 10,000 participants, The World Money Show Orlando will "Unite the Global Investing Community" while maintaining all the domestic investment focus, content and opportunities on which The World Money Show has built its 28-year reputation.

The World Money Show Orlando will focus on in-depth economic and investment presentations by experts from Australia, Brazil, Canada, China, Germany, Japan, Russia, South Africa, the United Kingdom, and the United States.



NEW Create your own personalized program—purchase a VIP Investment Masters Passport—and tailor your World Money Show experience to suit your own unique needs, experience, and investing style. For complete details visit www.WorldMoneyShow.com or call 800/970-4355.



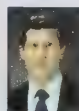
Looking Ahead for Investors:



Steve Forbes
President, CEO, and
Editor-in-Chief
Forbes Magazine
**Disarray in
Washington—What
Impact on Stocks
and the Economy?**



Simon Hobbs
Co-host, *European Closing
Bell* and *Frankfurt
Closing Bell*, CNBC Europe
Master of Ceremonies



John Thain
CEO
New York Stock
Exchange
(Via video-conference
from the NYSE floor)
**The Next Five
Years—Going Global
for Investors and
Traders**



Newt Gingrich
Former Speaker of the
US House of
Representatives
Winning the Future



Robert McTeer
Former Dallas Federal
Reserve Bank President
**There is Life After
Greenspan—A Look at
the Economy of 2006**



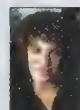
Harry S. Dent
Editor and President
H.S. Dent Foundation
**The Next Great
Bubble Boom:
2006-2010**



Frank Capiello
Chairman and
Managing Director
Montgomery Brothers,
Capiello, LLC
**Equity Investing in a
"Different" Global
Economy—2006-2007**



Ed Finn
Editor and President
Barron's
**Why Americans Need
to Invest Abroad and
How to Do It Wisely**



Elaine Garzarelli
Chair, Garzarelli
Investment Management
**Outlook for the Stock
Market 2006—Is It a
Bear or a Bull Market?**



Jeffrey Everett
Chief Investment
Officer-Retail Templeton
Global Equity Group
**Investing in a Global
World...This Time
It Really is Different**



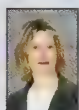
John Dessauer
Editor, *John Dessauer's
Investor's World*
**How the Dollar Has
Changed the
World...Why China May
Be Your Portfolio's
Best Friend**



Ned Davis
President and Senior
Investment Strategist
Ned Davis Research, Inc.
**2006 Market
Outlook**



Elizabeth Bramwell
President and CIO
Bramwell Capital
Management, Inc.
**Gaining International
Exposure with
Domestically Based
Stocks**



Barbara Marcin
Portfolio Manager
Gabelli Asset
Management
**Dividends Are an
Important Part of
Total Returns from
the Stock Market**



Julian Mayo
Investment Director
Charlemagne Capital
(UK) Ltd.
**Investment
Opportunities in
Emerging Markets**



Richard Band
Editor
*Richard E. Band's
Profitable Investing*
Contributing Editor
InvestorPlace.com
**A Crusty Contrarian's
Picks and Pans**

and many more...

SPONSORS

NYSE
world puts its stock in us

ROYALE ENERGY, INC.
Diamond Sponsors

WORDEN
TeleChart 2005
World's Favorite Stock Analysis Software

BANK OF NEW YORK
International Sponsor

OPTIONETICS
EMPOWERING INVESTORS
Platinum Sponsor
Fidelity
Gold Sponsor

Forbes
Media Partner

Visit <http://www.WorldMoneyShow.com> to register for
The World Money Show • Orlando (005298)

The paper has grown from its first run of 5,000 copies to 11,000. The *Patriot* typically has 20 to 24 pages, 8 in color, printed by a commercial printer. Townsfolk can grab the free *Patriot* at the grocer, hardware store or convenience shop—anywhere White has a rack. One *Patriot* hallmark that has helped circulation: large type. “We have a lot of seniors down here,” White says. The paper’s name is presented as a star-spangled, flag-themed eye grabber.

White, 70, came late to journalism after narrowly losing the race for Payson mayor in 2000. He then suffered a heart attack and, once recovered, took his doctor’s advice to find something to do. “Instead of sitting around watching baseball, I’m thinking of things to write about,” he enthuses. A former butcher, White writes a column with meat-thawing tips and whatnot.

Even though chains control so many rural and suburban papers, there is still room for intrepid souls who want to go it alone. While Web news sites may be sapping big-city dailies’ circulations, small-time papers are thriving by covering school board meetings, town festivals and school lunch menus. Over the past 40 years circulation of dailies in the U.S. has fallen 9.5% to 55 million. But circulation of weekly and monthly papers has doubled to 50 million. And if the paper’s free, like the *Patriot*, all you need to do for revenue is convince merchants to place an ad. White gets \$500 a page.

Unlike most dailies, the *Patriot* has competition. The established twice-weekly *Payson Roundup* has a paid circulation of 7,200 and charges \$1,100 for a full-page ad. Despite White’s strides, the *Roundup*’s publisher, Richard Haddad, professes not to be worried. “It’s better for the community if there are two voices,” he explains. Haddad supplements his paper with a Web site offering such fare as town meeting transcripts.

Newspaper startups are high-risk ventures. But then you could always buy an

existing paper. A lively weekly with a circulation of 5,000 to 7,000 will run from \$100 to \$200 or so per subscriber, depending on ad rates, population, demographics, location, etc. A good starting point for valuing weekly newspapers, says Michael Lindsey, a seasoned newspaper broker, is up to 1.5 times gross revenues. A daily paper, which has higher revenues and more opportunities for bundled advertising, should fetch two to three times gross revenues. A typical daily of 6,000 would go for \$3 million to \$5 million, says broker Lindsey, who works out of Cheyenne, Wyo. Newspaper brokers get paid by the seller, on a sliding scale (\$150,000 on a \$3 million transaction is typical).



THE COLORFUL PAPER IS PUT TOGETHER IN WHITE'S HOME.

Small papers abound. The best ones to own are in vibrant towns within 100 miles of sizable cities. Check the last several censuses to see if population is stable or increasing. Take a look at the biggest employers’ payrolls, municipal tax collections and school enrollments. Are they going up or down? Look at the shoppers (freebie papers that consist primarily of classifieds) that will be competing for your ad dollars. Do they seem to be gaining on the newspaper? If a paper is for sale, read it. Is it any good? “People now want local news,” says Edward Anderson, a broker partner with National Media Associates. “And nobody covers local news like a local newspaper.”

It is not unreasonable to expect an operating (that is, Ebitda) margin of 30% on a small daily, 20% on a weekly. You can

pump up margins by paying no more than 30% of gross toward personnel. Compare advertising rates with those of similar papers, since raising them might be a real possibility. But to max out your profit potential, you will have to stoop to the usual tactics of press lords: underpaying the staff and churning out the so-called journalism that is not going to win a Pulitzer—like travel reviews, bridal specials and dining guides. For William Berger, 87, longtime owner of the *Arroyo Herald*, a 5,000-circulation weekly in Hondo, Tex., the hottest advertising period comes in late August, when it prints a high school football supplement. This year it was 60 pages, half of its ads. “I had photos of nearly every player, and most of the cheerleaders, from six teams,” he says. “People eat that up,” Berger says.

Circulation numbers for pay papers often can be bumped up with a subscription drive. Most drives tempt new subscribers with slashed rates and the indispensable qualifier: “for a limited time only.” This limited stretch usually lasts 30 days or so. In September, the *Payson Roundup* added 275 new subscribers that way. The added circulation allows you to raise ad rates.

Savvy newspaper owners will tap neighboring communities—even ones without newspapers of their own—for ads. Larry

Atkinson, who owns the weekly *Mobridge Tribune* in South Dakota (circulation 2,900), has boosted yearly revenue to \$1 million with this approach. Mobridge, named because it has the only bridge over the Missouri River for 150 miles, is home to 3,800, yet it is the commercial center for 27,000 people within a 60-mile radius.

For years Atkinson’s ads came mostly from Mobridge businesses. Then he paid \$3,000 to Pulse Research of Portland, Ore. for market data. Pulse found that 40% of Atkinson’s readers shopped up to 100 miles away from Mobridge, in places like Aberdeen, S.D. and Bismarck, N.D. The *Tribune* mined those other regions, with great success.

But beyond the money is the psychological satisfaction. Says Arizona’s White: “It’s a lot of work, but it’s a lot of fun.”

ON STOCKS - PREFERRED STOCKS - CORPORATE BONDS
MUNICIPAL BONDS - TREASURIES - CONVERTIBLES
ST PREFERRED - MUTUAL FUNDS - HEDGE FUNDS
S - IRAs - 401(K)s - 529s - FUTURES - OPTIONS

YOUR INDISPENSIBLE GUIDE TO BUILDING WEALTH IN THE STOCK MARKET!



sophisticated investor or serious beginner ...
speculator or buy-and-hold investor ... you will
benefit from this new edition of the famous
FORBES STOCK MARKET COURSE.
s easy-to-read common sense guide and
reference would be a valued holiday gift.

HOLIDAY INVITATION FOR FORBES READERS ONLY!

YES! Send me ___ copies of the new edition of the **Forbes Stock Market Course** at the special holiday gift price of \$99.95 each (no additional shipping & handling charge) saving me \$50 off the regular \$149.95 price.

Fastest Service Call Toll-Free at 1-800-429-0106
order online at www.forbesinc.com/smc

Our Guarantee from Forbes

ould you decide, after examining the Forbes Stock Market Course, that it
es not meet your needs, you may return it within 10 days for a full refund.

to: Forbes Stock Market Course • P.O. Box 1668 • Lakeland, FL 33802-9834

In a challenging and volatile marketplace where investors match wits every day ... and where fortunes are made and lost ... this new edition of the **FORBES STOCK MARKET COURSE** will give you information and background you must have to navigate your way to profits ... achieve financial success.

To reach that goal, you must have a thorough understanding of the wide variety of investment vehicles now available to individuals ... you must be aware of the investing process and of the risks and rewards inherent in whatever investment path you choose to follow ... know how to interpret a balance sheet .. understand the complexities of financial statements ... the meaning of the footnotes.

You will find yourself referring over and over again to the information packed into each of the 13 sections of this updated new edition.

You will get a better understanding of everything from:

- Building Capital to Tax-Favored Investment Strategies
- Fundamental and Technical Analysis to Financial Statements
- Derivatives to the Futures Market and Hedging
- Treasuries to Mutual Funds

Once you dip into its pages, you'll wonder how you ever got along without this treasury of vital information. And, while you are placing an order for yourself, please remember the **FORBES STOCK MARKET COURSE** is a **marvelous holiday gift** ... an endless source of wisdom and information for professionals and small investors alike.

For FORBES readers only ... a special Holiday Gift Offer!

As a reader of **Forbes Magazine** you are invited to take advantage of a special holiday gift price of just \$99.95 ... save \$50 off the regular \$149.95 price. (Order now and we will waive the shipping and handling charge!) *Please note this is a limited time offer so mail your risk-free order today.*

☐ My payment of \$_____ is enclosed.
(Make check payable to Forbes Stock Market Course.)

NY orders add 8.625% sales tax. CA, DC, GA, IL and TX, add sales tax as required by law.)

To charge your credit card call: 1-800-429-0106

Ship to _____ (please print)

Company _____

Address _____

City/State/Zip _____

E-mail Address _____

SAVE \$50.00
ORDER NOW!

JFSMC4Q05

Taking a break: The Van der Maases at Luangwa River Lodge



Safari Guide

How to run a lodge in the wilds of Africa. By Allison Fawcett

DAYS AFTER FORMER BOND trader Barry John van der Maas moved to eastern Zambia in May 2001, he paid court to Senior Chief Nsefu of the Kunda tribe. Word of the young Briton's arrival had already spread, so Van der Maas drove 12 dusty miles to the chief's village, knelt on one leg before the sitting chief and clapped in three sets of three. Once invited to shake the chief's hand, Van der Maas, then 27, explained he had acquired a lease on land just outside Zambia's South Luangwa National Park where he planned to run a safari lodge.

Van der Maas' four-room, eight-guest Luangwa River Lodge is now nearly finished. It is a one-hour flight from

Zambia's capital, Lusaka. It borders the country's second-most-popular tourist destination, the national park at the southern end of the Great Rift Valley, which is home to the meandering Luangwa River, with its oxbow lagoons, huge termite hills (some as high as 15 feet) and even taller baobab trees. There are also leopards, lions, giraffes, antelope, monkeys, buffalo, hippos, crocodiles and 400 species of birds.

To build a luxury lodge from scratch on this hideaway, Van der Maas, his fashion-designer wife, Tara, and brother Sean spent \$850,000. The design, engineering, carpentry, bricklaying and final touches took more than three years before the first guest could arrive. The Van der

Maases lived out of a tent for the first six months and trekked as far as Johannesburg, a four-day drive, in search of furniture, mattresses, fixtures, plugs, sockets, plumbing and 60 tons of wooden poles treated against termites. Van der Maas hired 30 laborers to clear a dirt road through the bush so he could bring the loaded trucks into camp.

The lodge is now replete with five-star features like electricity, spa-style baths and high ceilings. Filet mignon and fresh-baked bread grace the menu. Van der Maas buys whatever he can locally, but someone still has to drive 12 hours one way to Lusaka for items like champagne.

Van der Maas charges \$400 per person per night (including food, alcohol



Softer flat beds for
a deeper sleep.

Our best service anticipates your needs. To give you the best possible sleep, we used the latest in cushioning technology to create an even more comfortable flat bed. And to add to your comfort, we included plumper pillows and cozier blankets. Our goal is simple: to deliver the best service you could ask for, without you having to ask. So whether you're enjoying a gourmet meal, or an Arrivals Lounge that feels more like a spa, we think you'll find our business class like no other.

Visit ba.com/clubworld

Business class is different on **BRITISH AIRWAYS**



and park fees) for the first three nights. He says that in his first operating year, beginning September 2004, revenue was \$382,000 from an occupancy rate that was 40% in the early rainy season through December and 75% January through June. Costs for food, marketing and 20 full-time employees were \$145,000. Van der Maas is spending another \$150,000 to add a family-suite and to buy more vehicles; with the swamp cruiser he can drive guests across the river into the park and cut out a 30-minute detour to a bridge. Of the \$87,000 left over, he'll keep \$50,000 tax free (a concession to inward investors) to start to recoup the investment and pay 35% corporate tax on the other \$37,000.

He says he hopes to recover the investment in five years. Some of the return he will be happy to take in kind. "An African sunset silhouetting some elephants crossing the Luangwa will do wonders for the soul," says Van der Maas.

Believe it or not, Van der Maas had it relatively easy. In October 2000 he was able to buy an embryonic safari lodge project from an Englishman who had fallen ill before being able to realize his own dream. For \$100,000 Van der Maas got a 99-year lease on 80 acres of land and a big head start, including years of negotiating with the preceding chieftain and obtaining permission from the Zambia Wildlife Authority, the Zambia National Tourist Board and the Zambia Ministry of Lands to put up accommodations for up to 24 guests. The deal even included a government investment license (still honored though the program ended) that allows Van der Maas tax-free imports worth up to \$700,000 (he has \$400,000 left). This all saved him years. "Nothing happens quickly in Africa," says Van der Maas. "There's a lot of red tape."

One of the biggest obstacles in this kind of adventure is finding reliable help. You want a load of bricks to arrive when it is ordered, or a guard to keep animals out of a chalet, if asked. Susan W. Mathis, a 66-year-old Atlantan who owns Mateya Safari in the Madikwe Game Reserve, a three-and-a-half-hour drive from Johannesburg, recommends

People like Steve are the reason
for an investment firm like ours.

RAYMOND JAMES

Steve McGregor, 33, self-made entrepreneur. Married Julie, high school sweetheart. 10-year-old twins, Michael and Matthew. Wants to give them the educational opportunities he didn't have.



just five years ago. Pay close attention to the sometimes tenuous political situations. Zambia is benefiting from the international opprobrium of Robert Mugabe in Zimbabwe, its southern neighbor. Be cognizant of currencies. South Africa's rand has risen by as much as 18% in the past 12 months against the dollar.

Last year Van der Maas spent \$20,000 on photos, brochures, a Web site and attending travel shows like the World Travel Market in London. He exchanges e-mails with 250 potential guests and agents a day, answering ques-

ing an on-site manager who is knowledgeable about the way things work in Africa. As a woman, she had trouble getting workers to listen to her at first. "This man's world over here," she says.

It can take years to find the right land and lodge. Van der Maas had stayed in 45 lodges throughout southern Africa, learning about different countries and comparing large high-end lodges against all bush camps. He says similar plots in Botswana and Namibia could have cost upwards of \$500,000. He had his eye on a beach resort in Mozambique at one point, but floods ravaged the country in 2000. Though not on his list, Kenya makes land ownership hard for noncitizens. Ancestral land claims can also be an issue in some countries.

Zambia is coming up in the world. Last year 515,000 tourists visited, spending \$153 million, according to the Zambia National Tourist Board. That's one-third more visitors and 79% more money than

tions about flights, inoculations, war and disease. To accommodate guests, he sometimes doubles as an agent. John and Amy LaBadia, 29-year-olds from Hoboken, N.J. who spent three nights of their honeymoon at the Luangwa River Lodge this summer, paid Van der Maas \$5,300 for a trip that included not just the stay at his lodge but also three nights at the Kasaka River Lodge near the Zambezi River and chartered flights within Zambia. Taking a 10% service fee, Van der Maas estimates he brings in an additional \$10,000 a year this way.

Most important, know what you are getting into. "If you think you're going to escape from the city with your newfound millions from the stock market, be prepared for backbreaking work of a different nature," says Tim C. Lapage, owner of Safari Experts, a safari planner in Park City, Utah. A small business is still a demanding small business, however breathtaking its surroundings. **F**

RULES OF ENGAGEMENT

Thinking of throwing it all in and setting up in the wilds on your own? Bear these points in mind:

Scout wisely. The region is rife with tenuous political situations. You need a location where you can run a business and to which guests will come.

Be patient. It can take years to cut through African red tape.

Your guests will expect the conveniences of Western life, but you shouldn't expect to find them when you start.

Hire a reputable local manager who knows the ropes.

Be versatile. You'll do every job from construction hand to travel agent.

Enjoy the adventure. It is your life as much as your living.

Starting
charitable
foundation.

Managing her
new business.

Saving for
second home.

You and your financial needs are unique. Raymond James financial advisors understand that. In addition to one of the most comprehensive ranges of financial services anywhere, they have complete freedom to offer unbiased advice that's right for you. That's a promise from one of the first firms to focus on individual financial planning. And it's why some of the best advisors have chosen to work with us. There's a culture of independence here. One that's focused on the individual. One that works.

RAYMOND JAMES

Individual solutions
from independent advisors™

raymondjames.com

The **BIGGEST BEST** **MORNING SHOW**



Fri

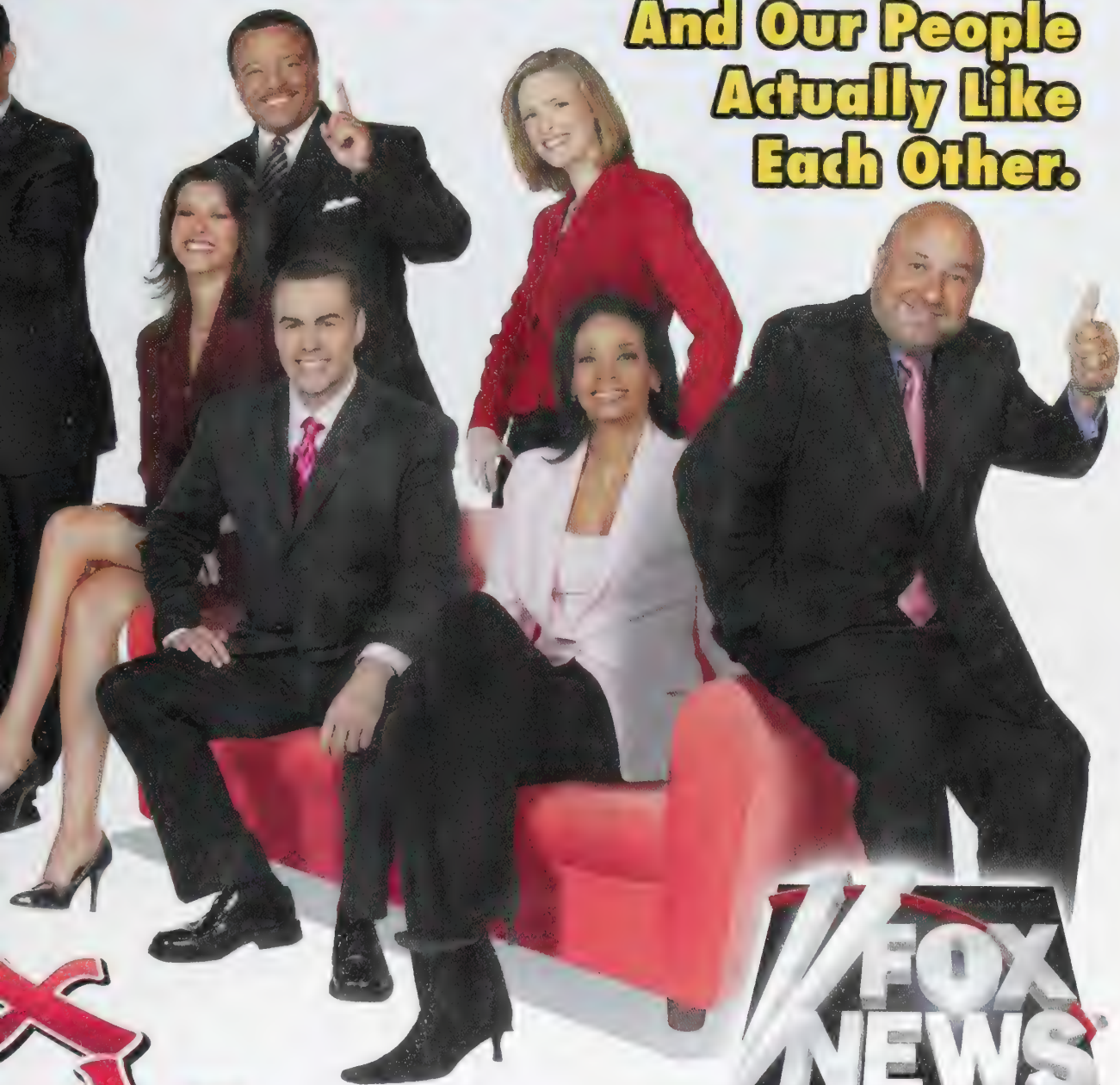
The #1 Morning Show

Left to Right: Ford Beebe, Julie Chen, Bill M. Dudley, Juliet Huddy,
Liam Chetley, Chris K. Smith, Edward F. Kelly, Dr. Manny Alvarez

Source: Nielsen Media Research, FNC vs. CNN, MSNBC, CNBC & HLN, #1 Morning Show

ST IMPORTANT ON TELEVISION

**And Our People
Actually Like
Each Other.**



**fox
news
channel**



In Cable News

— Back Row: Judge Andrew Napolitano, Alisyn Camerota, Mike Jerrick,
Steve Doocy, E.D. Hill, Brian Kilmeade, Kelly Wright, Janice Dean.

Persons 2+ AA(000), Monday-Friday 7a-9a. Subject to qualifications, available upon request.

Makeup Makeover

To Wall Street naysayers, Estée Lauder is a high-end but dowdy outfit whose cosmetics and fragrances belong on a suburban dowager at a country club social do. Some investors lack confidence in family heir and Chief Executive William P. Lauder. The stock is off 30% since he took the helm in July 2004. Matters only got worse when in late October **ESTÉE LAUDER (33, EL)** announced a 38% earnings drop in the first fiscal quarter of 2006 and revised full-year estimates down.

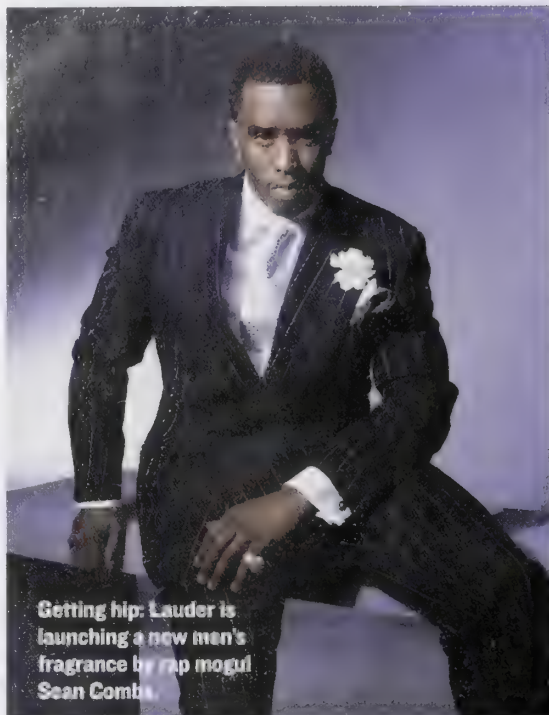
But now is a good time to make a long-term investment. "It's rare that you get great brand names at fire-sale prices," says Gregory A. Church, chairman at Church Capital Management in Yardley, Pa., which owns 220,000 shares and plans to pick up more. Boasting premium brands like Aveda, Bobbi Brown, Clinique, MAC and Prescriptives, the company trades in line with the S&P 500, at 19 times trailing earnings.

The changes William Lauder is undertaking are more than cosmetic. To Church, family member Lauder is underestimated and has the heft to strike out in new—and smart—directions. Lauder wants to reach the middle-market consumer for the first time. In one stratagem to increase revenue, the firm is partnering with midscale Kohl's stores to expand beyond Lauder's perch on traditional department store counters. That's especially important after Federated Department Stores' \$11 billion merger with May Department Stores, which will occasion the elimination of some of their outlets and thus venues for Lauder products. Lauder also is making a push into underpenetrated international markets, including China and India.

And then there is the plan to get hipper, with more emphasis on younger women. Earlier this year Estée Lauder began working with former Gucci and Yves Saint Laurent designer Tom Ford to bring some of his signature pizzazz, and his name, to products like lipstick and perfume. Already Ford was featured in a 22-page spread in the November issue of *W* magazine, talking about how much he likes Lauder.

Other prizes in the pipeline: a fragrance for men from multi-monikered hip-hop impresario Sean John Combs, and the MAC color collection named after ageless French beauty Catherine Deneuve, debuting early next year.

—Allison Fass



Getting hip: Lauder is launching a new men's fragrance by rap mogul Sean Combs.



Default Position

Insuring municipal bonds used to be a pretty safe business, since not a lot of them default. But **MBIA (62, MBI)**, the nation's largest muni insurer, this year ran into trouble over an ultimate corporate bad news—accounting investigation. Seems the company misused reinsurance to cover a 1998 issuer default and make earnings look better. Then came Hurricane Katrina and fears of Gulf Coast defaults. Yet Geoffrey Dunn, an analyst with Keefe, Bruyette & Woods, says the firm has stood up to the beating.

Net income for the first nine months of 2005 was down 14% to \$528 million on \$1.6 billion in revenue. Most of that shortfall is reflected in \$75 million the company set aside to cover potential penalties stemming from the investigation. Rising interest rates lately have slowed down bond issuance. But the insurer still has a sterling AAA financial strength rating from S&P. At a 12 multiple it's a buy.

—Daniel Krug



Admitting De Feet

The stock is up 75% this year at hapless **PAYLESS SHOESOURCE (22, PSS)** on rising same-store sales and earnings. That's because these were so lousy before. We were bullish on Payless three years ago (Jan. 1, 2003), and we were wrong.

America's largest shoe retailer, with 4,600 stores, has suffered as Wal-Mart and Target have gotten into the cheap footwear game, featuring lower prices than Payless. And hipper shops like Nike West will make it tough for Payless to move up market. Plus, Payless stores are antiquated, says John Shanley, analyst with Susquehanna Financial Group. At 12 times trailing net, the chain is overpriced. We say short it.

—David Serch



Some red,
some black
and your
perspectives
open up



...the effect of Société Générale financial services.

...an innovative bank means gaining the freedom to imagine anything. Driven by its ability to look ahead, Société Générale now has a workforce of 93,000 in 80 countries and has become steadily stronger in its three key areas: providing its customers ever more occasions to broaden their perspectives. With more than 17 million customers⁽¹⁾ in banking, 326 billion euros⁽¹⁾ managed by global investment management and services and a confirmed leadership in corporate and investment banking (euro capital markets, derivatives and structured finance), Société Générale has become a first choice partner for its customers around the world. If you too, have a taste for innovation, you will soon see what the "Société Générale red and black effect" can do for you. (1) at 31/03/05. www.socgen.com

Société Générale is authorised by Banque de France and the Financial Services Authority, and is regulated by the Financial Services Authority for conduct of UK business in the United States, certain securities, underwriting, trading, brokerage and advisory activities are conducted by Société Générale Group's wholly-owned subsidiaries: SG Americas Securities, LLC, and SG Cowen & Co., LLC, both registered broker-dealers and members of NYSE, NASD and SIPC.

Red,
black
and
rising.



PAYMENT SERVICES



ASSET MANAGEMENT



PRIVATE BANKING



GLOBAL SECURITIES
SERVICES FOR INVESTORS



CORPORATE &
INVESTMENT BANKING



GROUP



Hooray For Mutual Funds

MUTUAL FUND COMPANIES SHOULD BE TURNED into not-for-profit organizations. At least, that's what David F. Swensen thinks. In his new book, *Unconventional Success: A Fundamental Approach to Personal Investment*, the head of Yale's endowment lambastes the entire mutual fund industry for failing the American investor. Its sins, he says, are funds with trailing performance, excessive portfolio turnover and high management fees. He points to recent fund scandals, in which some managers benefited at the expense of ordinary investors, as another indictment of all that is wrong in the industry.

Strangely, Swensen argues, the root of all these issues is the profit motive. To him, fund managers are just looking out for themselves, not customers. If fund firms are turned into virtuous nonprofits, he writes, "No profit margin interferes with investor returns."

Yale's \$15 billion endowment is, of course, a nonprofit enterprise. As its chief investment officer for the past two decades, Swensen has compiled an enviable record, up 16.1% annually. But all college endowments have not done this well. Not all have Yale's name, its prosperous and generous alumni, its access or its ability to pay for ace managers both externally and internally like Swensen.

In condemning mutual funds, Swensen omits large parts of the story. While there have been problems in some corners of the fund universe, the vast majority of funds remain an extremely effective wealth-building tool. Mutual funds have helped 90 million Americans achieve important life goals such as home ownership, a secure retirement and a college education for their children. Fund investors get professional management, diversification and low investment minimums (as little as \$50 a month).

Consumers vote with their wallets, and they are voting in favor of the fund industry. Fund ownership has skyrocketed from 5% to half of U.S. households in the past quarter century. In politics they'd call that a landslide.

Free enterprise provides enormous benefits. The profit motive

has brought us everything from microchips to potato chips. So I am astonished that Swensen, a leading market practitioner, calling for a dynamic, competitive industry to be replaced by nonprofits. Competition is a cornerstone of the American economy. By definition, some competitors will fall short. If a mutual fund lags behind a benchmark like the S&P 500, it is not inherently bad. By Swensen's logic, my hometown Chicago White Sox should have packed it in long ago, before they had their chance to win the 2005 World Series.

This is a competitive arena; investors have 8,000 different funds to choose from in the U.S. If they don't like what's happening in one fund, there are plenty of others. Compared with secretive portfolio like Yale's, mutual fund holdings and styles are models of transparency. Many fund families seek to educate investors. My fund company is also deeply committed to helping minorities, historically ignored by the financial services industry.

Funds are no good and should be nonprofit, says Yale's endowment chief. How odd. He thrives on fat profits.

Following are a few of my favorites in the fund arena, wonderful, ethical businesses thriving because of their commitment to shareholders and free enterprise.

T. Rowe Price (71, TROW) has a record of premier performance that goes back to its founding in 1937 by a growth stock picker of that name. In fact, 82% of its total assets under management are funds that rank in the top half of their Lipper peer groups for performance over the past 10 years. Strong results keep customers coming; in the recent third quarter a net \$3.5 billion of new money flowed into T. Rowe Price funds, which also was buoyed by \$7.3 billion in market appreciation. The stock changed hands at a 15% discount to my estimate of intrinsic worth.

With \$450 billion in assets, **Franklin Resources (96, BEN)** has strengthened an already robust lineup with quality acquisitions, including Templeton and Mutual Series, providing investors the genius of sages John Templeton and Michael Price. As of Sept. 30, 70% of Franklin long-term fund assets ranked in the top half of their peer groups. The company trades at a 10% discount to my estimate of private market value.

One of my newer holdings, **Investors Financial Services (39, IFIN)**, provides sophisticated securities processing services for asset managers. Assets under administration are up 42% from last year, to \$1.7 trillion. As a smaller industry player, the firm gives clients close attention. It won the title of Best Global Custodian for 2005 from *Global Investor* magazine. Investors are benefiting from its 2 million-share buyback and its new cash dividend. The stock sells at a 21% discount to my \$49 estimate.



MANY HAPPY RETURNS

CAPITALWISE™

The Best Destination Club Financial Model

... decision to join a destination club is the easy part. The allure of access to beautiful homes in resort destinations
... one club membership has been the travel and leisure breakthrough enjoyed by thousands of sophisticated
... demanding travelers.

... at was once the most difficult part – the financial structure of membership – has now been simplified and can
... just as rewarding to you as the experience of the overall membership. CAPITALWISE – the revolutionary new
... ncial model from Tanner & Haley Destination Clubs™.

Distinctive Retreats II offers Members:

... t Financial Model, More Residences, Availability Guarantee, and LagniappeSM – “a little something extra”

For more information, call **800.490.0146** and visit **www.tannerandhaley.com**



DISTINCTIVE RETREATS II™
a Tanner & Haley Club



Cycle of Pain

TOO MUCH OF A GOOD THING SPELLS TROUBLE. THIS summer companies recorded a record level of cash. And bondholders had nary a creditworthiness worry. Ever since the bull market went south, corporate America has shored up its balance sheets, refinancing debt at lower rates or paying it down. Sure enough, we saw a lot of credit upgrades.

It looks as if those happy days are numbered. Now the sacred cash on these replenished balance sheets is in jeopardy of being squandered on shareholders—agitated shareholders who are fed up with 2005's sideways equity market movement. Corporate shakedown activists are stirring investor ire and demanding action. Corporations, toadying to these appetites, are engaged in a relentless surge of share buyback programs and outsize dividends.

Carl Icahn asked Time Warner to spend \$20 billion on share repurchases—and got the company to agree to \$12.5 billion. Time Warner has been paying down its debt but still has an onerous \$20.6 billion on the books, to say nothing of a negative tangible net worth. No wonder Standard & Poor's and Moody's, who rate Time Warner BBB+ and Baa1, have the company on credit watch for a possible downgrade.

Creditworthiness is disappearing before our very eyes. Bondholders hate when that happens. We want the cash used to make coupon payments, to lower debt or, if neither of those, at least to expand business in the expectation of bringing in new cash later. The use of cash to pay dividends or buy in shares is bad news for corporate bondholders.

The early signs of a credit downgrade cycle are here. Act accordingly. Scrutinize your portfolio to make sure you don't own bonds in companies with growing debt loads. In particular, beware of companies that are announcing monstrous repurchases or special dividends.

Cablevision Systems, the huge cable company, is a perfect example of the new problem. With only \$217 million in cash on hand, Cablevision Systems voted to pay a special \$3 billion dividend. Where will it get all the money? By issuing additional bonds, of course. That will weaken the value of existing bonds.

Clear Channel Communications, the radio broadcaster, recently reported a 21% decline in third-quarter profit and announced it was eyeing a \$1.6 billion share buyback or special dividend or both. DuPont recently announced a \$5 billion share repurchase plan to take place over the next two years. The rating agencies promptly slapped down DuPont's senior bond rating by two notches to A from Standard & Poor's and A2 from Moody's.

To help ferret out these share buybacks and special dividends, call your broker. Every decent-size brokerage firm keeps a running list of corporations that have authorized large buybacks. Ask your broker for his list; look over the names and see if any of the corporate bonds you own are on this potentially slippery slope.

If you are in the bond market to buy today, look for names and industries that are the least likely to be downgraded. Hit

Corporate America, fat with cash, is spending it on share buybacks and outsize dividends. That's bad news for bonds.

on the good-to-buy list a financial institutions. Banks and brokerages need pristine balance sheets and credit ratings, so there's no nonsense.

Bank of America seems to do a dandy job of growing through acquisition—and responsibly. Yes, there are some buybacks but not big enough to harm good credit ratings. **Bank of America 6.25s of April 2008** is selling at 102.75 for a 5% yield to maturity. **Bank of America 4.5s of August 2010**, priced at 101.50, is also yielding 5%, and another buy.

Both issues are noncallable, and they are rated at a comfortable investment-grade quality.

A name you hardly ever hear these days in the financial services area is SLM Corp.—the old Sallie Mae, or Student Loan Marketing Association. Branching beyond student loans to business lending, SLM has an interesting Consumer Price Index-linked note, maturing March 2017. It is rated A2 by Moody's and A by S&P. Resembling a preferred (though technically isn't), the note has good liquidity. With 8 million shares outstanding, it trades on the New York Stock Exchange.

This **SLM (25, OSM)** note is composed of a fixed coupon of 2% plus an inflation adjustment paid monthly. The formula yields an annual 5.65%. That beats what you get these days on the Treasury Inflation-Protected Securities. A ten-year TIPS will get you 4.34% right now. Besides paying you less, the TIPS coughs up its inflation adjustment only at maturity. The TIPS doesn't stop the Internal Revenue Service from extracting a pound of flesh immediately. You owe tax on the paper inflation adjustment as soon as it's credited to the bond.

Forbes
e.com

Marilyn Cohen is president of Envision Capital Management, Inc., a Los Angeles fixed-income money manager. Visit her home page at www.forbes.com/cohen



Mike's bank

has his fresh-frozen herb business down cold

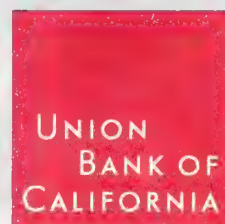
arranges flexible financing to fund expansion

helps put the freeze on his workers' comp costs

carefully handles his employees' retirement plans

packs personal service into every relationship.

Invest in you®



Commercial Banking

Northern California - Michael Riley, Market President, (415) 705-7170

Central Valley - Scott A. Hagel, Market President, (916) 321-6702

Greater Los Angeles - Bitu Ardalan, Market President, (818) 595-2021

Metro Los Angeles - Scott Connella, Market President, (213) 236-4275

Orange County/San Diego - Mary Allis Curran, Market President, (619) 230-3374

Small Business Services - (866) 876-7065

All financing subject to credit approval.

Visit us at uboc.com

©2005 Union Bank of California, N.A. Member FDIC



AFTER THREE ROUNDS
**THERE'S NO GUARANTEE
 WHO WILL WIN.**
Except for charity.

If there's anything PGA TOUR players love, it's a challenge and a charity. And the season-long CRESTOR® Charity Challenge is just that. The program recognizes player performances by donating \$100,000 to charities chosen by the tournaments and the leaders entering the final round at 35 PGA TOUR events. In 2005 AstraZeneca, the makers of CRESTOR®, will donate \$3.5 million to charity, a significant part of the PGA TOUR's Drive to a Billion campaign. For more information, log on to crestor.pgatour.com.

Drive to
\$1 BILLION

2005 CRESTOR® Charity Challenge Beneficiaries

Academy Prep
 American Cancer Society of Orlando
 American Heart Association - Phoenix
 Arnold Palmer Hospital for Children & Women
 Aurora Health System
 Baptist Health System - Children's Hospital
 Catheterization Unit
 Casey Lee Ball Foundation
 Century Club Real Estate Partners
 Children's Healthcare of Atlanta
 The Children's Hospital at Westmead (Australia)
 The Children's Hospital of Philadelphia
 Children's Medical Center of Dallas - Central Texas
 Christus Schumpert Foundation
 Columbus Children's Hospital

Cook Children's Medical Center
 Cystic Fibrosis Foundation of Orlando
 Desert Classic Charities
 Doernbecher Foundation
 Driving 4 Life - ALS Therapy Development Foundation
 Evans Scholars Foundation
 Fundación Sergio Garcia
 Genesys Regional Medical Center
 Gilda's Club of Quad Cities
 Homes for Our Troops
 Houston Golf Association
 Kapoia Maui Charities
 Lance Armstrong Foundation
 Levine Children's Hospital
 Maria Faren Children's Hospital

Memorial Health University Medical Center
 Misericordia Home
 Neediest Kids
 Nevada Childhood Cancer Foundation
 Nicklaus Children's Health Care Foundation
 Ochsner Clinic Foundation
 Parkinson's Disease Support Network, D.K.I.
 Phoenix Rescue Mission for Women and Children
 Robert H. Lurie Comprehensive Cancer Center
 at Northwestern University
 Ronald McDonald House of South Florida
 Ronald McDonald House Westmead (Australia)
 Salesmanship Club Youth and Family Centers
 Salinas Valley Memorial Hospital
 Santa Monica - UCLA Medical Center

Scripps Health Foundation
 Shark Shootout Charities, Inc.
 St. Jude Children's Hospital
 St. Patrick's Intensive Care Unit Foundation (Ireland)
 Tiger Woods Foundation
 Uniontown Hospital
 The University of Chicago Cancer Risk Clinic
 Vanderbilt Children's Hospital
 Variety - The Children's Charity of Greater Philadelphia
 VNA Health Care
 Waianae Coast Comprehensive Health Center

Watch *Thanks a Billion*, presented by AstraZeneca —
 a celebration of giving back, hosted by George Lopez • 3pm ET, December 17





Instant Advertiser Information To receive *free* information from Forbes advertisers visit their web sites or call the listed phone numbers

Forbes Magazine December 12, 2005

Automotive

BMW
1-800-334-4BMW
BMWusa.com
BMW Commander
jeep.com
toyota
toyota.com/usa

**Practices of the Top 50
Corporations for Business Diversity**

bellSouth
bellsouth.com
raytheon
raytheon.com
Home Depot
homedepot.com

Business Classified

Access China Tours
1-800-788-1399
accesschinatours.com
AM Mortgage
1-800-531-7888
AmericanHm.com/george.hart
American Royal Arts
1-800-888-9449
americanroyalarts.com
atus Communications, Inc.
1-800-483-3414
ValueStockSelector.com
BOC, Inc.
1-800-621-7110
Capital Asset Management
1-800-710-0002
Capital Solutions
1-800-499-6179
4capitalsolutions.com
Capstone Business Credit, LLC
1-800-755-3636
capstonetrade.com
Delightful Deliveries
1-800-442-6333
DelightfulDeliveries.com
Chair USA
1-800-407-3575
e-chair.com
Economic Forecasting/BTSmith &
Associates
1-800-586-2322

Gallery Art
1-888-932-6166
www.gallart.com
Global Business Funding
www.globalbusinessfunds.com
Holiday Timeshares Resales
1-800-704-0307
www.holidaygroup.com
John Christian Designers
1-888-646-6466
www.ringbox.com
National Watch &
Diamond Exchange
1-215-627-5626
www.nationalwatch.com
Planet Office Furniture.com
www.planetofficefurniture.com
Publisher's Guild
1-800-369-1646
Rosetta Stone
1-888-232-8823
www.rosettastone.com/fbs035s
Sayersbrook Bison Ranch
1-888-854-4449
www.sayersbrook.com
Steven Sears CPA/Attorney
1-949-262-1100
www.searsatty.com
Strong Travel Services
1-214-361-0027
The Diamond Maven.com
1-800-435-2872
www.thediamondmaven.com
Venta Air-Washer, LLC
www.venta-washer.com
Worldwide Business Consultants
1-800-733-2191
www.corbettandkish.com

Computer/Technology

Sybase
www.sybase.com

Corporate Social Responsibility

Cargill
www.cargill.com
Motorola
www.motorola.com

Financial Services

E*TRADE Financial
1-800-731-5220
www.etrade.com
KeyBank
www.key.com
T. Rowe Price Capital
Appreciation Fund
1-800-554-6448
www.troweprice.com
T. Rowe Price Dividend
Growth Fund
1-888-554-6448
www.troweprice.com
T. Rowe Price Equity
Income Fund
1-888-554-6448
www.troweprice.com
T. Rowe Price Personal Strategy
Growth Fund
1-888-554-6448
www.troweprice.com
T. Rowe Price Value Fund
1-888-554-6448
www.troweprice.com

**Identity Theft and Identity Fraud:
Fighting Back**

Fellowes
www.fellowes.com
Uni-Ball
www.uniball-na.com

Texas: Wide Open for Business

Freescale
www.freescale.com
Girling Healthcare, Inc.
1-800-GIRLING
www.girling.com
Greater Houston Partnership
www.houston.org
Odessa Development Corporation
1-877-363-3772
www.odessatex.com



Beyond Oil and Gas

THIS YEAR'S RUN-UP IN OIL AND GAS PRICES MAY HAVE backed off a bit, but energy costs are still high and will stay up for a long time. The situation prefigures what will happen to most natural resource commodities in coming years. The demand is unabated given the rise of China and India as global economic powers with huge populations. These nations' expanding middle classes have gotten beyond wanting to eat better; they now want better housing, transportation and consumer goods.

Aside from oil and natural gas, the prices of copper, iron ore and coal have seen dramatic increases. Look for price surges in lesser-known raw materials, such as chromium, nickel, tungsten, cobalt, titanium and vanadium, to name a few.

You can readily build new refineries or factories to supply the growing demand for consumer goods. Not so for natural resources that are finite and running out. Although you often can increase supply marginally at existing sites, you constantly need to find new sources. These may be situated in places that are hostile politically (Africa) or naturally (deep ocean waters) and far from markets.

Once a new deposit is found, building an infrastructure and gathering a workforce are big—and expensive—challenges. The high startup price tags make natural resource firms very cautious. So they move slowly to increase supply, if they move at all. Having been through many booms and busts that have killed their earnings, they can't be blamed for suspecting that any price spikes are fleeting.

This time they are wrong. While booming world trade has a deflationary effect on the price of manufactured goods, it has an inflationary effect on raw materials. The India-China factor will keep the price-rise trend going for decades. Will there be price dips along the route? Sure. But they will be the exceptions.

The good news for investors is that the accelerating demand for raw materials will make this sector grow much more rapidly than the world economy as a whole. So put money into raw materials producers beyond the obvious oil and natural gas companies. Unfortunately, there are no exchange-traded funds or closed-end funds that adequately cover nonenergy natural

resources. Since many of the good ones are overseas, I don't advise buying their bonds because you get no upside beyond their coupon yields. Go for equities with strong dividend yields or the prospect of rising payouts.

Two global companies with broad baskets of raw materials that have bright futures are **BHP Billiton Plc. (32, BHP)** and **Rio Tinto Plc. (166, RTP)**. Both are strong in iron ore, coal, aluminum and copper. BHP also has oil, nickel, silver, molybdenum, lead and zinc. Their recent revenue and profit growth is more like that of Internet hotshots than of ancient mining companies.

Trading as American Depositary Receipts, these two feature a dividend yield of only 2%, although you can expect payouts to increase. BHP sells at 25 times trailing earnings while Rio Tinto goes for 24 times, but prospects look so robust the price is justified.

A more focused investment is in **Southern Peru Copper (SPCU)**, a Phoenix-headquartered

copper miner with operations in Peru and Mexico. The 10% dividend yield makes this very rewarding to own.

I also like **Fording Canadian Coal Trust (35, FDG)**, a Canadian producer of metallurgical coal. That's the stuff used to fire steel blast furnaces. Like the Canadian energy trusts I've written about (see my January column) Fording has a high current yield—17%. That's because of fears that the dividend rate, which was just recently increased, can't be

An opportunity: Booming world trade has an inflationary effect on the price of such raw materials as copper, nickel and coal.

sustained. As a result the stock has fallen 21% from its 2004 high in September. If there is a dividend cut, it already is priced into the stock.

Don't be overly concerned that you might be buying into companies with reserves that are running out, and thus high dividend payouts are just a return of capital. Most natural resource companies and royalty trusts reinvest a sufficient portion of their cash flow to assure their future, or their existing reserves are ample, measured in decades.

Certainly, investing in these picks is not risk free, even with surging world demand showing no sign of letting up. In the short run mining expansions won't keep up with this demand, triggering more resource inflation. Also, China and India may try to lock up supplies by using their dollar balance of trade reserves to buy materials producers, as China tried recently to do with Unocal. They also could opt to stockpile key raw materials. That makes strategic sense for them, but could lead to panic buying. Regardless, natural resources investments should be part of any portfolio.

Forbes

Richard Lehmann is editor of the *Forbes/Lehmann Income Securities Investment Guide*. Visit his home page at www.forbes.com/lehmann.

Find the best gear for your lifestyle.



Now what you're buying. At CNET.com, you'll see how our experts
rate the gear you think you want, see who's got it for less, and hear
how it's working (or not) for people just like you. We'll even help you
get more out of the stuff you already have. For free.

Find the right tech for you at CNET.com.



CNET.com
Bringing tech to life

*"The true winners of these Awards are the many people
who stand to benefit from the innovations
the Awards are intended to recognize."*

~ Kofi A. Annan, Secretary-General, United Nations

**The Tech Museum of Innovation extends its deepest appreciation
to the sponsors of The Tech Museum Awards 2005.**

Presenting Sponsor



APPLIED MATERIALS

In Association with



Santa Clara University
Center for Science,
Technology, and Society

Global Outreach Partners



American Council for
The United Nations
University
The Millennium Project

WORLD BANK INSTITUTE

Providing knowledge and learning from better worlds

Award Category Sponsors



Microsoft

Agilent Technologies
Foundation

KNIGHT RIDDER



APPLIED MATERIALS

Program Sponsors



The Silicon News

The Bay Area's
NBCII

American Airlines

Fairmont
SAN JOSE

Public Relations Partner



Media Partner

Forbes

Advertising Partner

buderengel
and friends

The Tech Museum Awards honor those who are using technology to address the United Nations' 15 most urgent global challenges for humanity and the environment. Each year 25 Laureates are honored. Five recipients share \$250,000.

Nominees are being sought for the 2006 Tech Museum Awards. The nomination deadline is April 3, 2006. Reward those making a difference and nominate today at www.techawards.org.

THE TECH MUSEUM AWARDS

Technology Benefiting Humanity

Sponsored by Applied Materials, Inc.

The Tech
Museum of Innovation



GOSSIP

Gnome Hotel

When Swiss bankers loosen up at Zurich's Baur au Lac hotel, you can overhear some great gossip | By Richard C. Morais

WANT YOU TO TRANSFER 10 MILLION kronor from the joint account." In the hushed, orchid-filled lobby it was impossible for me not to overhear the elderly Swedish couple giving instructions to their banker, who was seated with them. The white-haired husband, his skin aged to leather by years of living under

Monte Carlo's sun, wore a gray silk suit and puffed raffishly on a cigarette in an ebony holder. He and his wife voiced concern their "crazy" children might try to break the family trust. The banker reassured them it was airtight. Elsewhere, I noticed, other clients, including a beautiful Russian woman, were having consul-

tations with gnomes of their own.

Welcome to the 124-room Hotel Baur au Lac, unofficial club for Zurich's private bankers and a five-minute walk from the headquarters of UBS, Credit Suisse, Julius Baer, Bank Vontobel and other such institutions. Close your eyes and you can almost hear the cold heart of old Swiss



Nobel found it dynamite: Since 1844 Baur au Lac has been the hotel of choice for moneyed guests and the Swiss bankers who advise them.



money beating.

Still owned by the descendants of founder Johannes Baur, the 161-year-old Baur au Lac has a platinum pedigree: It was here that Austria's Empress Elizabeth summered with an entourage of 60. It was here that Richard Wagner performed the world premiere of *Die Walküre*, himself singing the first act (off-key), accom-

panying a pro-Rey story, even as his company collapsed and he, charged with fraud, fled the country.

When I returned to Zurich for a visit this past summer, I found the hotel had lost none of its attractive rigor or punctiliousness. It dispatched—as it will for any guest—a car and driver (dressed in a white, Prussian-looking uniform) to

“More exotic were the **LIVER-SPOTTED MONEY MEN** sipping Fendant.”

panied by his father-in-law, Franz Liszt, on the piano. And here Baroness Bertha von Suttner urged Swedish dynamite mogul Alfred Nobel to start an international peace prize.

My own history with the place is somewhat checkered. I grew up in Zurich as a middle-class American kid in the 1960s and 1970s, fascinated to see the likes of John Lennon, Henry Kissinger and Walt Disney coming and going from the hotel. More exotic to me were the liver-spotted Swiss money men sipping Fendant, a dry white wine produced in the Valais canton, or getting their hair cut by Oskar, the hotel barber.

Later, as an arrogant young reporter, I met the late Fritz Leutwiler, former head of the Swiss central bank (and co-chief executive of ABB), in the Baur au Lac's wood-paneled lobby. Leutwiler quietly let me know that Werner K. Rey—an American-style corporate raider then shaking up stuffy Swiss companies—was a crook. I dismissed Leutwiler's remarks as self-serving (big mistake) and went on to

whisk me to and from Kloten airport.

The Baur au Lac recently underwent a much-needed \$75 million renovation: kitchen overhaul, soundproof windows and high-speed wireless in each room. The best improvement is a health club carved out of a penthouse suite, with treadmills facing sheer glass walls that provide spectacular views of Lake Zurich: fishermen trawling for pike, the snow-capped Alps in the distance.

Zurich insiders still stalk the halls. I was reminded of their sense of ownership when I tried to check my e-mail on the hotel's free service. A heavyset man was tapping at one terminal; a woman's cardigan was draped over a second. The man barked that his wife—nowhere to be seen—would be giving up her spot in a half hour. An apologetic concierge whispered to me that the Internet hog was the chief executive of one of Switzerland's largest insurance companies.

The traditional friction between the Baur au Lac's foreign guests and domestic oligarchs has produced a few memorable

encounters. When Yves Saint Laurent strolled onto the terrace in white jacket, a Swiss diner, assuming he was a waiter, archly berated him for slow service. Alfred Hitchcock once convinced a proper but gullible Swiss matron he was a butcher on holiday, pointing to his enormous stomach as proof.

The hotel's rack rate—\$500 for a double room—struck me as worth it. My renovated

room, done in a contemporary Bavarian style, had a large bathtub, handsomely lit by natural light from a frosted pane overhead.

Of the hotel's three restaurants, only one is open all year—the hip (by Zurich standards) Rive Gauche Restaurant Bar, serving modern European fare in a setting that includes a Swiss DJ and plasma-screen TVs with Bloomberg and CNN. The Restaurant Français, open in winter, serves classic, old-world French cuisine, as does Le Pavillon, open in summer. Set in an all-glass Victorian conservatory, Le Pavillon qualifies as one of Zurich's hidden

jewels. Here a tranquil riverside lunch of risotto and langoustine reminded me of all that was fine and decent about my hometown.

Best Ear-Burning Dish

Here's where to overhear industry gossip in the U.S.:

COMMODITIES Alcock's, near the Chicago Board of Trade; also Rivers, restaurant in the lobby of the Chicago Mercantile Exchange.

FILM The Beverly Hills Hotel's Polo Lounge, for Hollywood heavyweights. For agents, the nearby Peninsula Beverly Hills Hotel.

INVESTMENT BANKING Breakfast at the Regency Hotel in New York City.

OIL Houstonian Hotel, a spa resort in downtown Houston.

TECHNOLOGY Buck's of Woodside, a pancake house in Woodside, Calif.; also dinner at Chantilly Restaurant in Atherton.

—R.C.



WE STRIVE TO SEND YOU ON VACATION FASTER.

SkyTeam offers you the advantage of accumulating and redeeming your Frequent Flyer Miles on all member airlines. Now you have the advantage of going farther even sooner. www.skyteam.com

Caring more about you™

OMEXICO.

AIR FRANCE

KLM

Alitalia

Continental
Airlines

CSA CZECH
AIRLINES

Delta

KOREAN AIR

nwa
NORTHWEST AIRLINES

Lawrence of Suburbia

Buzzing around the desert in an SUV may not make you feel like Peter O'Toole.
But it's more fun than riding a camel | By Stewart Pinkerton



Surfing the sand in an SUV:
A camel-farm stop is included.

DUBAI, THAT SELF-ABSORBED CAPITALISTIC jewel of the United Arab Emirates, provides experiences not available elsewhere in the Middle East. Where else can you find a shopping center with an indoor ski run (opening soon) or a housing development of artificial islands depicting many countries in the world (except, of course, Israel)? And some very unusual job descriptions. Like the guy at the spectacularly tacky ("Think Versace on acid," says one guidebook) Burj Al Arab Hotel, whose sole function is to remove fingerprints from the revolving glass doors.

What can you do in Dubai? Shop in the ubiquitous air-conditioned malls, buy gold by the ounce at the gold souk, eat some excellent Lebanese food (kibbe—a tasty ball of ground

lamb mixed with bulgur and a pine-nut filling—is a specialty). Most important, avoid being outside in July and August, when the temperature routinely exceeds 100 degrees. The Arabian Gulf, nearly as hot, provides no relief. (Hot

pools, in fact, have to be cooled during the hottest months.)

In search of a real taste of Bedouin life, two colleagues and I decided to take one of the late-afternoon desert safaris offered by several Dubai tour companies (*see box, p. 242*). The cost, 295 dirhams, or \$80, per person. For the more adventurous, there are overnight desert trips.

Right on time our driver, Basim, from Arabian Adventure, picks us up at our hotel in his red-and-white GMC Yukon for the 45-minute ride into the desert. Along the way we pass a cam

Good strategic thinking is externally focused, anticipating the behaviors of relevant actors in a situation."

Robert A. Burgelman

Edmund W. Littlefield Professor of Management

Director of the Stanford Executive Program

Author, "Strategy is Destiny: How

Strategy-Making Shapes a Company's Future"

**Learn from Robert Burgelman
in the Stanford Executive Program.**

www.gsb.stanford.edu/exed/sep

STANFORD
GRADUATE SCHOOL OF BUSINESS



AN INTENSIVE PROGRAM
FOR INDIVIDUALS WITH A
CAREER FOCUS IN FINANCE

GW Master of Science in Finance

THE MSF PROGRAM

Builds upon prior degree in business, economics, law, or other quantitative disciplines.

Emphasizes applied research and modeling, as well as the international and regulatory dimensions of finance.

Holds classes on Thursday and Friday evenings and on Saturdays to accommodate working professionals.

Facilitates the development of a network of professional colleagues from a cross-section of prominent organizations.

Provides advanced education in financial theory and management.

Can be completed in one or two years.

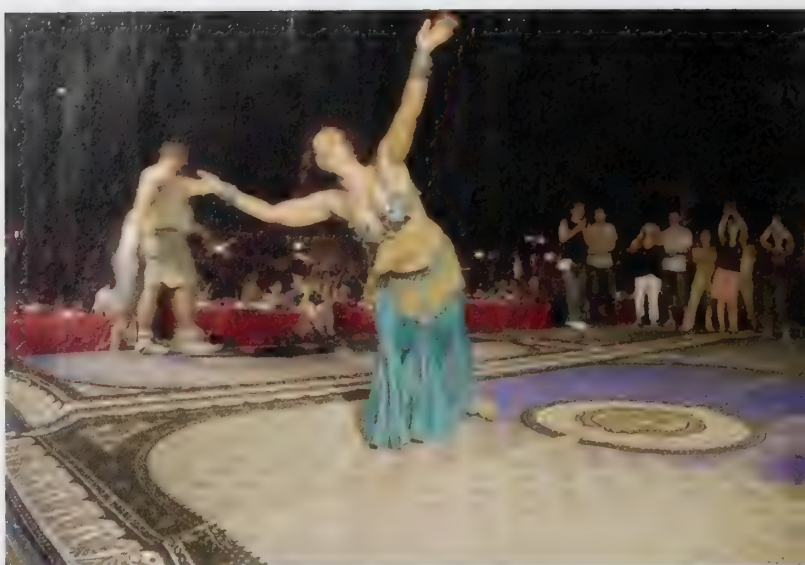
Contact us today for more information (202) 994-1576 | msfinan@gwu.edu | www.gwu.edu/~msf

GW Is An Equal Opportunity / Affirmative Action Institution

advertise contact Robert Read at Impact Media - Tel +44 20 7812 6407, Email r.read@impact-media-group.com

track (racing season is September to March) and what seems to be an endless stream of themed housing developments, such as the "International City," which features different architectures from around the world. As the city gives way to more and more sand (and the occasional camel) we arrive at an 87-square-mile gated preserve owned by the government.

Basim deflates the SUV's tires by 50%, for better traction on the dunes. Then we wait for the rest of the caravan to show up from other hotels—24 vehicles this day. Basim warns us to buckle up, hold on and let him know if we feel queasy. Good advice—because we're suddenly off on a stomach-churning ride up and down the dunes at speeds the tour company says are limited to 13mph but seem a lot faster. There are



Ride 'em, tourists: The camel ride itself is pretty tame. But getting on and off isn't. Later a belly dancer brings at least part of the crowd to its feet.

getting off. You're told to lean back and hold on tight as the camel kneels. Easier said than done. I whiplash into a colleague who's riding in front and nearly fall off. Where are the plaintiff lawyers when you need them?

After the camel ride the Arabs humor Western tastes with free beer and wine, served in an open-air quadrangle. Basim, playing multiple roles, serves as bartender. A buffet of shish kebabs, hummus and tabbouleh follows. We sit on cushions at low tables and watch the evening's entertainment—a belly dancer who bears a disturbing resemblance to Fran Drescher. If you feel so inclined, you can watch the dancer while smoking *sheesha* (water pipe) of aromatic tobacco flavored with apple.

After Fran departs, all the lights at the camp are turned off for three minutes. In the total blackness the world becomes the sky, an incredible star show that brings gasps from the visitors. Other than the annoying chatter from some guests, there's not a sound—no crickets, no night birds. Nothing.

Surely, any moment now Peter O' Toole will suddenly appear, dressed in a white kaffiyeh, cresting the dune on his camel, backlit by the crescent moon. **F**

Additional reporting by Zina Moukheiber.

Caravansaries

Burj Al Arab Outrageously lavish. Looks like a gigantic sail; features a bar surrounded by a huge fish tank. Double rooms, \$382 and up.

Jumeirah Beach Hotel Shaped like an enormous wave. Plenty of shops, bars and restaurants. Doubles start at \$180 and up.

Ritz-Carlton Excellent private beach, first-rate service. Only 138 rooms. Doubles start at \$180 and up.

One&Only Royal Mirage Elegant Moroccan-themed resort, with neo-Venetian-like canals, plied by whisper-quiet motor launches. Package deals start at \$1,935 for three nights.

Safari Options

Arabian Adventures (971-4-303-4444 or www.arabian-adventures.com)

Net Tours & Travels (971-4-266-8888 or nettoursdubai.com)

Orient Tours (971-4-282-8238 or www.orienttours.co.ae)



no signs, no landmarks—nothing but dunes in all directions. Any tire tracks are quickly covered in powdery sand. Does the guy in the front of the caravan really know where he's going?

Nobody in our SUV complains of distress. But before long we notice another SUV pulled over. An occupant has stepped out and appears to be closely examining the innards of a large desert bush.

First stop: a camel farm. Great photo ops, but it's hardly a petting zoo. Camels have been known to be testy with tourists, and when one starts running toward you, it's best to get out of its way. When one of our group naively asks about a bathroom, a gap-toothed camel man smiles broadly and points to a pile of soggy sand behind a fence.

Time for the sunset. Leaving the camel farm behind, we pull up to a long ridge of dunes. Everyone gets out to watch. Shades of pink and ochre paint the sands as the sun dips below the horizon. It's more spectacular than watching a sunset at sea, since there is no movement, no sound. Dead still. Almost immediately you can begin to feel the temperature drop. (It falls 20 degrees overnight.)

Then it's off to a "Bedouin camp" for a camel ride before dinner. The one-humped camels, bored stiff with the routine, put up with us. As do the Bedouins, who perch on a nearby dune and watch with amusement. We're led once around a very tight circle, sort of like a kiddie pony ride. Then the hard part:

Forbes

Business Classified



DelightfulDeliveriesSM.com
Your Trusted Source For Holiday Gifts

*America's #1
Gift Basket Website*



**Over 2500 gourmet
gifts just a click away.**

Order online at
www.DelightfulDeliveries.com
or call **1-877-442-6333**
Code FR121205



As Seen On



THE WALL STREET JOURNAL
Entrepreneur

- 100% Satisfaction Guaranteed • Nationwide Delivery • Free Gift Packaging
- Fast Overnight Delivery Available • Secure Shopping • Free Catalog Available

BizRate.com
customer certified
Ranked #1 by Alexa

Forbes Business Classified

Corporate Retreat



North Dakota's beautiful Hidden Valley Ranch is for sale by owner. Nestled in the Walhalla hills are 640 acres of exquisitely charming beauty and privacy.

The perfect venue for a personal or corporate retreat or club.

Enjoy elk, deer, moose, fox, coyote, wolf, and all sorts of game birds, as well as many other summer and winter sports and activities.

The Walhalla airport, only four miles away, accepts small jets, and the scenic Rendezvous Region is only a 10-minute drive.

This unique property, along with all these amenities and economic potential, is being sold by a bidding process. Interested parties may call 877-877-4370, fax 701-866-7717, or visit us at walhallahills.com for more information. Bid opening is January 20, 2006.

Art Wholesale

We Buy, Sell Fine Art & Collections.
Peter Max, Warhol, Neiman, Erte, Agam, Dali, Haring, Lichtenstein, Behrens, Britto, Fairchild, Fazzino, Hofmann, Schwaiko, Maimon, Tarkay, and More - Over 20,000 Artworks in Inventory.
Gallery Art.
20633 Biscayne Blvd. Aventura, Fla.
(888)932-6166 www.Gallart.com

Watches

NATIONAL WATCH & DIAMOND
• BUY • SELL • TRADE
OVER 300 PRE-OWNED
ROLEX IN STOCK
also Cartier, Breitling & Tag
LARGEST SELECTION OF
CERTIFIED DIAMONDS
1-800-8-WATCHES
Visit Our Web Site: nationalwatch.com
8th & Chestnut Streets, Phila., PA

China Tours

Access China Tours
Superior Deluxe Packages
20 Itineraries From 9 To 22 Days
Private & Business Trips
1-800-788-1399
www.AccessChinaTours.com

Timeshare

TIMESHARES
save up to **70%**
off retail!!
CALL 800-640-7633
HOLIDAYGROUP.com/f

- BEST RESORTS PRICES & WEEKS
- GREAT RCI & II EXCHANGES
- FREE CATALOG

Forbes Subscriber Service

To plan your order, to renew, change your address or other customer service, visit our site at...
www.forbes.com/customerservice
or call...800-888-0886

Diamond Jewelry

Diamond Manufacturer
selling to the public all shapes and qualities of diamonds, AGS and GIA diamonds. Ideal Cuts, Hearts and Arrows, and Fancy Colors. Best Prices. Satisfaction Guaranteed. Our 28th year.
www.thediamondmaven.com
1-800-435-2872 1-212-944-8491
info@thediamondmaven.com

Newsletter

THE WORLD IS SHRINKING!
Nanotechnology is changing our world ... our clothes, the military, science, autos, medical technology ... everything! It's the investment opportunity of a lifetime for those who buy tomorrow's superstars today. The monthly **Forbes/Wolfe Nanotech Report** puts you on the right side of history, separates the true leaders from the overhyped. Subscribe risk-free at just \$195. Save 67.5% and get 2 valuable Free Reports. Satisfaction guaranteed by Forbes. Call 800-523-7967 or go to www.forbeswolfe.com/frb. Please use savings code JN5SAVE.

Forbes

The Forbes Stock Market Course
The Forbes Stock Market Course is an easy-to-read common sense guide to building wealth. It's a perfect holiday gift for family and friends... for anyone who is interested in investing. The newest edition gives you a better understanding of everything from Financial Statements to Fundamental and Technical Analysis. Stocks and Bonds to Futures and Options - Mutual Funds to Hedge Funds. As a reader of *Forbes Magazine*, you are invited to take advantage of special holiday price of just \$99 (save \$50 off the regular \$149.95 price).
Go to www.forbesinc.com/smc and place your order now or call 1-800-429-0106

Forbes Business Classified

For Advertising Information and Rates Contact:
Media Options:
1-800-442-6441
mediopt@aol.com

Forbes

Business Classified

Humidifier & Purifier Two in one

Choose the best.
No need for filterpads.
It's so simple.
Patent-No. 5,894,001

Patented German engineering. Worldwide unique. Perfected with the newest cold water evaporation technology. 100% made in Germany. 10 year warranty. 100% satisfaction.

www.venta-airwasher.com



Red dot design
award winner 2003.

The "Wunderding" so simple - so efficient

7 outstanding benefits make Venta-Airwasher Europe's #1 bestseller for Humidifiers/Purifiers:

1. No filterpads, no wicks, no cartridges needed. Hassle free. It's so simple.
2. No problems with white dust.
3. No ozone that might cause asthma problems.
4. Extremely hygienic and easy cleaning. No bacteria-ridden filterpads or wicks.
5. Easy, problem-free maintenance; robust and durable construction.
6. Invisible humidification by cold evaporation, recognized as the best possible technique.
7. Pure water evaporates; impurities, stale tobacco smoke and odors are trapped in the water.

More than 10,000 doctors have bought Venta-Airwashers for themselves and their families.

Many famous customers are already enjoying the benefits of the Venta-Airwasher: e. g. Porsche, adidas, Sony Europe, Nestle, McDonalds, Audi AG, Wells Fargo, Volvo North America, The New Yorker, Carnegie Hall (40 units).

Call toll free: 1-888-333-8218

BED BATH &
BEYOND

Available
at selected
retail stores.

ACE
Hardware

True Value. LINENS-N-THINGS

Test the Venta-Airwasher cost-free.

If there is no dealer close to you, try the Airwasher in your home for 14 days. If you are not fully satisfied, we will have the Airwasher picked up from your home and your credit card will not be charged. Free shipping anywhere in the US. Please ask for a free brochure.

venta®
AIRWASHER

Forbes Business Classified



The Fastest Way to Learn a Language. Guaranteed.™

Award-winning software successfully used by U.S. State Department diplomats, Fortune 500 executives and millions of people worldwide.

Finally, a different approach that has millions of people talking. Using the award-winning Dynamic Immersion™ method, our interactive software teaches without translation, memorization or grammar drills. Combining thousands of real-life images and the voices of native speakers in a step-by-step immersion process, our programs successfully replicate the experience of learning your first language. Guaranteed to teach faster and easier than any other language product or your money back. No questions asked.

Rosetta Stone is available for learning:

Arabic • Chinese • Danish • Dutch • English • Farsi • French • German Greek • Hebrew • Hindi • Indonesian • Italian • Japanese • Korean Latin • Pashto • Polish • Portuguese • Russian • Spanish • Swahili Swedish • Thai • Turkish • Vietnamese • Welsh

Great Holiday Gift Idea

SAVE 10%

Level 1 Program
Regularly \$309.00



Your Price
\$175.50

Level 2 Program
Regularly \$329.00



Your Price
\$202.50

Level 1 & 2
Regularly \$329.00



Your Price
\$296.10

Personal Edition. Solutions for organizations also available.

Call today or buy online for a 10% discount.

RosettaStone.com/fbs125
1-888-232-8823

Use promotional code fbs125 when ordering.

Give the gift they'll talk about all year!

RosettaStone
Language Learning



Jewelry

JOHN & CHRISTIAN
DESIGNERS & CRAFTSMEN

ORDER BY
DEC. 21ST
FOR HOLIDAY
DELIVERY!



*Children's
Names & Birthstones*



Anniversary Date
IN ROMAN NUMERALS!
December 11, 1998
XII XI MCMXCVIII

14K: ANNIVERSARY \$750 Convert Your Date Online!, MOTHER'S \$450 (UP TO 5 NAMES)

FREE CATALOGUE **RINGBOX.COM** 1-888-646-6466

Office Furniture



**Premium Ergonomic
Task Seating**

Full features, mesh back

Internet special **\$399.00**
plus \$30.00 shipping

www.e-chairusa.com

the e-chair USA 866-474-8748

Cruises

SILVERSEA
CRUISE EXPERTS

Best Prices & Service
1-800-747-5670

Mortgages

Luxury Homes Lender

George Hart

AHM Mortgage Nationwide Lender

1-888-531-7888

George.Hart@Americanhm.com

Lending to \$12,000,000

Licensed mortgage lender in all 50 states

Forbes Business Classified

For Advertising Information
and Rates Contact:

Media Options
1-800-442-6441
mediopt@aol.com

Investment Software

**Proven Software Selects
Winning Stocks for You**

All New Value Stock Selector™ software is a hit with investors. Runs quietly in the background on your computer while combing through the financial statements of thousands of companies. Then it shows you **what to buy, what to sell, and when to do it.** Based on the methods of super investors **Warren Buffett and Benjamin Graham.** EASY TO USE

Download Value Stock Selector NOW at
www.ValueStockSelector.com

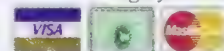
Forbes

THE FORBES COLLECTOR

**Masterpiece or Fake?
Bargain or Ripoff?**

Let **The Forbes Collector** teach you the difference. From American landscape painting to modern photographs to baseball memorabilia, **The Forbes Collector** will show you where the hidden gems are. Don't miss this insider's guide. Subscribe and get 4 Free Reports. Call toll free: 1-877-733-7876 or go to www.forbes.com/collector

You can charge your ad



Forbes Business Classified

Business Finance

BANK SAYS 'NO'?... WE SAY 'YES!'

We'll pay you cash for your company's ongoing receivables within 24 hours. Approvals by phone.

Personalized service. No upfront fees.
No collateral required. References available.

We are not brokers
today to CASH \$50,000 minimum to \$2,500,000.
It's more affordable than you think.

Mr. Weil (CEO) 800-499-6179
or 888-505-7332 for recorded information)
www.4capitalsolutions.com

Business Opportunities

**Own A
Private Bank**
800-733-2191

SUIT PROTECTION

Domestic or Offshore Solutions
/Free initial consultation
Business & Personal Assets

800-710-0002
www.Assetprotection.com

Capital Available

Working Capital
P.O. / Trade Finance /
Letters of Credit
Domestic and International
Accounts Receivable Factoring
One Business Credit, LLC

800-212-755-3636
800-212-755-6833 (Fax)

Corporate Retreat


Brook Bison Ranch/Resort
1 Ozark Mountains, 90
South of St. Louis.
Clays, bird hunting,
guns, Humvee trails,
over 3000 acres. Security!
Dining. Groups of 7-22.
www.brookbison.com or 888/854-4449

Business Classified...For Advertising Information and
Contact: Media Options 1-800-442-6441 mediopnts@aol.com

Business Opportunities

UNITED STATES PATENT
No Competition - Billion Dollar
Industry. Make more money in one
month than most people earn in one
year. If you can comfortably afford an
investment of \$14,900 a high six
figure income is very probable.

Call: 888-369-1646

Management Tools

Focus Forecasting

Over thirty years of forecasting excellence
www.focusforecasting.com

Business Financing

GLOBAL BUSINESS FUNDING:

Need capital for operations, growth or new
equipment? Any type of business loan, new
& used equipment leasing, factoring, vendor
programs, Commercial RE, All Credit
Quality (A-D), all business sizes from start
up to Fortune 500. Apply online at

<http://www.globalbusinessfunds.com>.
Tel: 231-547-0155

Forbes Subscriber Service

To plan your order, to renew, change
your address or other customer
service, visit our site at...
www.forbes.com/customerservice
or call...800-888-9896

Art

THE ART OF Classic Rock

Historic Collection Released to the Public!



Signed Collection Includes Beatles, Stones, Zeppelin,
Elvis, Dylan, Sinatra and more.

Free Catalog! Call Toll Free 1-800-888-9449

ARA American Royal Arts Corp.
ENTERTAINMENT FINE ART

Celebrating 20 Years in Business!

Legal Services

ASSET PROTECTION

Domestic & Offshore Strategies
Companies, Trusts, Private Banking

- Maximum Privacy
- Tax Savings
- Estate Planning
- Global Investments



Steven Sears, CPA • Attorney at Law
949-262-1100 • www.searsatty.com

Forbes

Forbes Lehmann Income Securities Investor

Richard Lehmann is Forbes' secret weapon on bonds, convertibles and preferreds. His high-yielding model portfolios have beaten stocks for the last five years! Let Lehmann show you how to build wealth safely with high-yielding fixed income securities. Subscribe today and receive three FREE special reports.

Call toll free 1-877-733-7876 or
www.forbesnewsletters.com/lehmann

Office Furniture

Authorized Online Dealer for
HON & BASYX
Office Furniture



- ★ Free Delivery
- ★ Extensive Online Catalog
- ★ Volume Discounts

Basyx Mesh Back
Chair Only \$279

PlanetOfficeFurniture.com

Forbes

Forbes

Forbes

SLAM DUNK INVESTING IN OIL

Curtis Hesler, Editor of *Professional Timing Service*, recommended Enerplus Resources (ERF) at \$17. It's now \$43, and still pays a 10% dividend. He believes that there are 4 major opportunities--crude oil, gold, stocks and bonds--that will make and break millionaires. Subscribe today and get his free special report, *Oil: Slam Dunk Investing for Income & Capital Gains*. Call toll free 1-877-733-7876 or www.forbesnewsletters.com/pts

THOUGHTS

On the Business of Life

W

here you sit can make a bad dinner party good or a good dinner party bad. At the Big League affairs of White House proportions, protocol determines who, of those entitled by rank or luminous eminence, sits where. As Barbara Gamarekian wrote in the New York Times, "A former protocol officer tells of a French ambassador who walked out on a dinner where he felt he had not been properly seated. 'There is nothing amusing about it,' Mrs. Virginia Depew [editor of the definitive Washington social list, the Green Book] said. 'It is very serious business.'"

—MALCOLM S. FORBES (1985)

Cockroaches and socialites are the only things that can stay up all night and eat anything.

—HERB CAEN

Partying is such sweet sorrow.

—ROBERT BYRNE

The best number for a dinner party is two—myself and a damn good waiter.

—NUBAR GULBENKIAN

The table kills more people than war does.

—CATALAN PROVERB

Conversation did not flow with the drink; it drowned in it.

—QUENTIN CRISP

The formal Washington dinner party has all the spontaneity of a Japanese imperial funeral.

—SIMON HOGGART

Going to a dinner party that doesn't serve martinis is as desirable as spending a long weekend in a Turkish prison.

—ENO PUTAIN



The lard starts forming on the guest even before he gets out of his car, and by the time he rises flushed from the table, he can be used to baste an ox.

—S.J. PERELMAN

The cocktail party is a device either for getting rid of social obligations hurriedly en masse or for making overtures toward more serious social relationships.

—BROOKS ATKINSON

On cocktail parties: A hundred standing people smiling and talking to one another, nodding like gooney birds.

—WILLIAM COLE

At a formal dinner party, the person nearest death should always be seated closest to the bathroom.

—GEORGE CAEN

Find me a man who's interesting enough to have dinner with and I'll be happy.

—LAUREN BAC

A dinner invitation, once accepted, is a sacred obligation. If you die before the dinner takes place, your executor must attend.

—WARD McALLIS

The cocktail party is a device for paying off obligations to people you don't want to invite for dinner.

—CHARLES SM

A Text...

What time I am afraid, I will trust in thee.

—PSALMS 56

Sent in by Bernice White, El Paso, Tex.

December 12, 2005 • Volume 176 • Number 12 FORBES (ISSN 0015 6914) is published biweekly, monthly in August, with an extra issue in April and October, by Forbes 60 Fifth Ave., New York, NY 10011. Periodicals postage paid at New York, NY and at additional mailing offices. Canadian Agreement No. 40036469. Return undeliverable Canadian address 74962 Bath Road, Mississauga, ON L4T 1L2. GST # 12576 9513. RT. POSTMASTER: Send address changes to Forbes Subscriber Service, P.O. Box 5471, Harlan, IA 51593-0971. Forbes Subscriber Service is available online. To subscribe, change your address or for other assistance, please visit www.forbes.com/customerservice. Or write to Forbes Subscriber Service, P.O. Box 5471, Harlan, IA 51593-0971. MAILING LIST: We make a portion of our mailing list available to reputable firms. If you prefer that we not include your name, please write us. Copyright © 2005 Forbes Inc. All rights reserved. Title is protected through a trademark registered with the U.S. Patent Office.

FYI December



the good life®

Forbes

fyi

BURLINGAME
0042 06434299 8

**The 12 Gifts of Christmas | Magician Ryan Oakes Suddenly Appears
All-New Winter Ski Gear | Xbox vs. Gaming PCs
Caviar Academy | The Rise and Fall of One Collector's Library**



Really. You shouldn't t

BURLINGAME

DEC 13 2005

LIBRARY



EVEN WHEN WE GO SMALL, WE GO BIG.

THE ALL-NEW MIDSIZE H3. LIVING UP TO THE OFF-ROAD REPUTATION HUMMER MADE FAMOUS.
STARTING AT \$29,500.* VEHICLE SHOWN \$30,195.† HUMMER.COM

*MSRP. EXcludes destination charge. †MSRP. Excludes destination charge and optional equipment. MSRP extra. ‡MSRP. Excludes destination charge and optional equipment. MSRP extra. ©2006 Hummer, LLC. All rights reserved.



HUMMER
LIFE NOTHING ELSE.™

Robb
Millennium Blend

94

"Highest Rating"
cigar aficionado



"Cigar of the Year"
"Dominican Cigar of the Year"
25 "Best Brand of the Year"

EUROPEAN CIGAR JOURNAL



"Best of the Best
2002 and 2005"

Robb Report

New for 2005,
the Davidoff
Millennium Blend
Piramide!

Davidoff

Millennium Blend Series

A new blend - a new taste.

To find the nearest Davidoff Store call 1-800-213-2340 or visit davidoff.com

Ebel Classic

roducing the new Ebel Classic.
atch of sleek proportions and
th, sensuous design. Ultra-thin.
comfortable. White Roman dial.
stainless steel. Sapphire crystal.
r resistant.

ebel.com

Available at
Bailey Banks & Biddle
800 651 4222



EBEL

THE ARCHITECTS

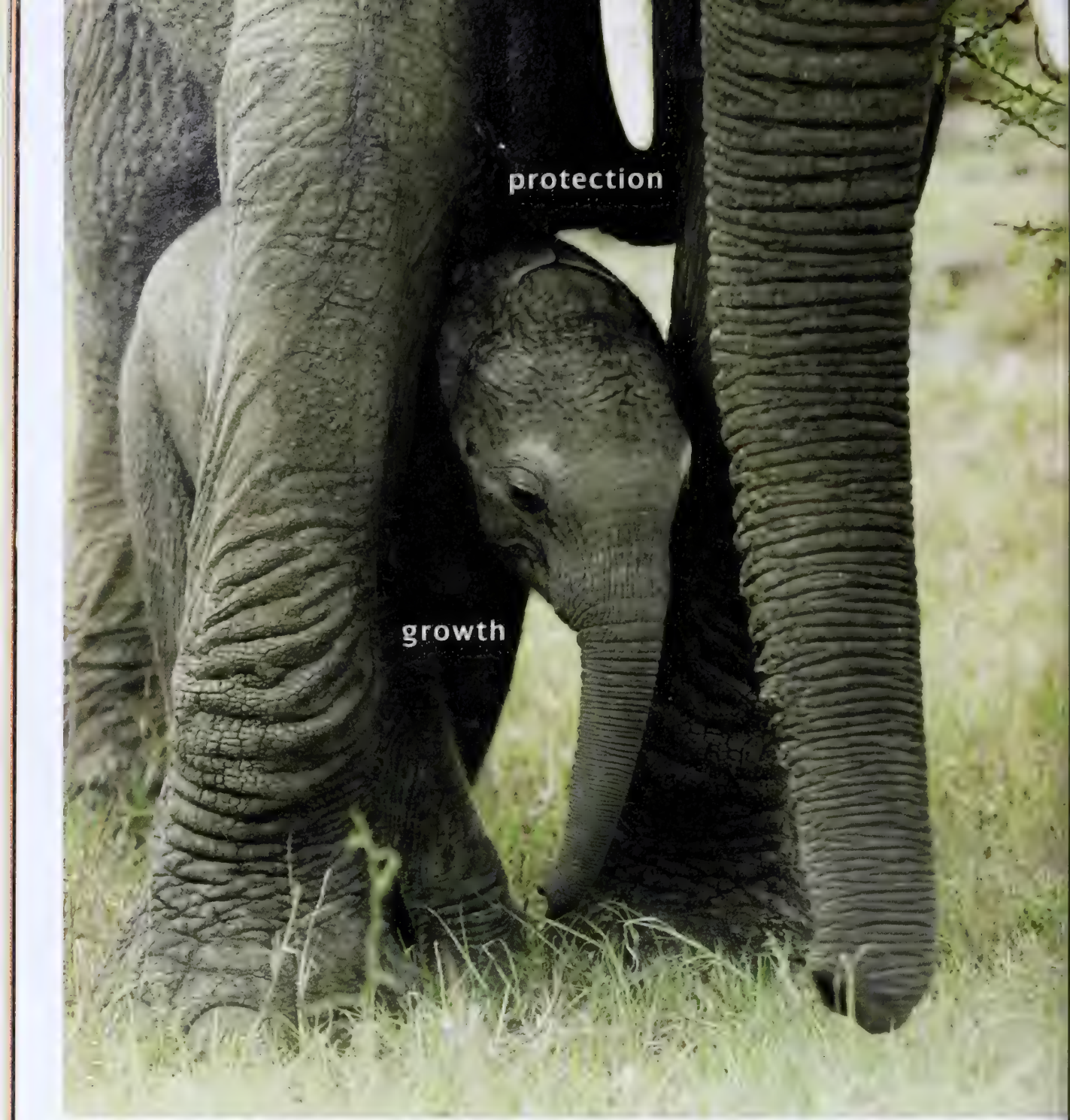


★ macy's *way to shop*

IT'S YOUR SCENTS OF DISTINCTION.
-KENNETH COLE



The new men's fragrance. **KENNETH COLE** signature



protection

growth

Prudential Retirement

- \$132.2 Billion in Client Assets Under Administration*
- 80 Years of Retirement Experience
- Defined Contribution Plans
- Defined Benefit Plans
- Non-Qualified Plans

10/2005. Prudential Retirement is a Prudential Financial business and is a service mark of The Prudential Insurance Company of America, Newark, NJ and its affiliates. *As of 6/30/05. INST-20051012-A017003

**Growth and protection. The strong
and steady approach to retirement.
At Prudential Retirement.**

Protect what really matters, and grow it with care.
That's our approach to planning for retirement.

For decades, we've used our strength in insurance and investments to help people and organizations plan for retirement. Today, more than 3 million individuals choose Prudential Retirement to help them grow and protect wealth through every stage of the retirement planning cycle — from accumulating assets, to distribution and managing retirement income. And 7,500 institutions of all sizes rely on us for intelligent retirement plan solutions that address their administrative and fiduciary needs.

Growth and protection from a company that's stood the test of time. That's the strong and steady approach to retirement. That's Prudential Retirement.

1-800-THE-ROCK

www.prudential.com

Prudential  **Financial**

Growing and Protecting Your Wealth®



IT TAKES POWER TO SHAPE BEAUTY.

THE MAYBACH 57S



MAYBACH





and his Link Automatic Chronograph



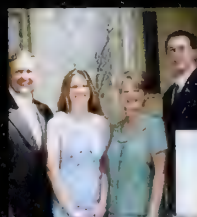
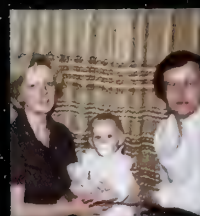
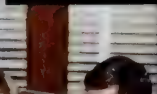
TAGHeuer

WHAT ARE YOU MADE OF ?

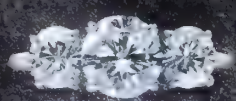


SWISS AVANT-GARDE SINCE 1861

I do.



I forever do.



TERENCE AND ALLYN SEESE CELEBRATED THEIR 33RD ANNIVERSARY WITH A GIFT OF ETERNITY.



A DIAMOND IS FOREVER
DIAMOND TRADING COMPANY



page 156



page 168

"On my previous visit, I found Oscar Wilde's tomb covered with dozens of lipstick kisses. It would be dandy but unrealistic to suppose that this will be a problem at the Oliver Bath gravesite." **PAGE 168**

136 12 Gifts of Christmas

Forget the turtledoves; here's what we *really* want this year.

Produced by Mark Grischke. Photographs by Ron Reeves

152 Wonderful Whistler

Canada's biggest mountain resort primps for its 2010 Olympic debut.

By Everett Potter

156 Mr. Snow It All

Getting geared up for winter.

By Matthew Reed Baker. Photographs by Ron Reeves

158 A Gathering of Swells

In which megayachts duel—in gentlemanly fashion—for claim to a spittoon.

By Bernadette Bernon

162 My Father's Library

When a man's beloved collection was threatened, more than a set of dusty volumes was at stake.

By Finn-Olaf Jones

168 Paris to Die For

Our intrepid correspondent enjoys a day of the dead in Paris.

By Oliver Bath

172 Offshore Asset

Just 22 miles west of Los Angeles, old California lives on in Catalina.

By Jeff Turrentine

176 Prince of Glides

Photographer Maxwell MacKenzie takes a bird's-eye view.

COVER Photograph by Ron Reeves. 2006 Continental Flying Spur provided by Bentley Motors. \$165,000. www.bentleymotors.com. Props by Jen Everett.



page 178

Usual Suspects

- 20 FROM THE EDITOR'S DESK** | Giving is the new receiving.
- 24 THE FYEYE** | Sign language, don't-panic pack, glowing ornaments, a sleek snapper, antique Armagnac, pooch portraits, shopping for college and the überfoos: all the best, all for you.
- 45 TRAVEL** | Where have we been lately? Edited by Richard Nalley
- 178 MIXED MEDIA** | A Talking box, original Kong, Beethoven bio, cult Coltrane, wit to live by and through a keyhole at 740 Park Ave. Edited by Thomas Jackson
- 184 Q&A** | Saks's display decorator Tim Wisgerhof opens a window on his famous designs.
- 63 Collecting**
The Bird Trainer, Christian Bailly's modern-day automaton, has a life of its own.
By Taylor Antrim
- 71 Appetites**
New York's Petrossian restaurant spoons up a caviar cheat sheet.
By Christopher Buckley
- 81 Electronics**
Game the system with the latest top-of-the-line PCs and consoles.
By Thomas Jackson
- 85 Quintessentials**
A real gentleman knows how to tie one on.
By Mark Grischke
- 87 Golf**
The best new gear fits you to a tee.
By Todd Pitcock
- 97 Boats**
The yacht *Whisper*, boffo builders and a race around the globe.
By Bernadette Bernon
- 99 Wine**
Let us show you how to put a few bottles away.
By Richard Nalley
- 103 Real Escapes**
No man is an island, but he may want to live on one.
By Taylor Antrim
- III Spas**
Miraval, the anti-spa, takes a leap of faith.
By Lorraine Cademartori
- 115 Style & Design**
Walter S. Arnold carves his way back to the stone age.
By Richard Nalley
- 117 Entertaining**
Magician Ryan Oakes makes high-end hocus-pocus.
By Stephanie Cooperman

COD WATCH



AN HERMÈS WATCH
HAS TIME ON ITS SIDE





Ravazzolo
SPR. DELLA SARTORIA

www.ravazzolo.com

BARCELINO San Francisco and Bay Area - CA
 BOYDS Philadelphia - PA
 DINO BALDINI New York - NY
 DON VINCENT Palm Desert
 Palm Springs - Rolling Hills Estates - CA
 D. FINE Bellagio - Las Vegas - NV
 EXPOSURE Staten Island - NY
 GALTRUCCO Bal Harbour - FL
 GARYS Newport Beach - CA
 GREINER'S Tampa - FL
 GUY LA FERRERA Boca Raton - FL
 IRVING BERLIN Hollywood - FL
 JAMES LTD McLean - VA
 LUIGI BASILE Westlake Village - CA
 MALLASADI Dallas - TX
 MELLUZZO Southington - CT
 MODA GEORGIO Phoenix - AZ
 MONDO UOMO Naples - FL
 NORTON DITTO Houston - TX
 RENAISSANCE Ann Arbor - MI
 SAM CAVATO St. Louis - MO
 SARTORIALE Santo Domingo - DR
 SPECTOR'S Albany - NY
 THE RED BARN Rochester - NY
 UTRAI WOODLIFEN WALKS Salt Lake City - UT
 Only in the U.S.A.:
 L'UOMO MORESCO & CO. LTD
 (PA) 0012 Phone: 212-3974300

fyi

PRESIDENT Robert Forbes

EDITOR Christopher Buckley

EXECUTIVE EDITOR Patrick Cooke

CREATIVE DIRECTOR Mark Grischke

MANAGING EDITOR Lorraine Cademartori

DESIGN DIRECTOR Penny Blatt

SENIOR EDITORS Thomas Jackson

Richard Nalley

ASSOCIATE EDITORS Taylor Antrim

Matthew Reed Baker

Kerry Mullett Strom

EDITORIAL ASSISTANTS Stephanie Cooperman

Adam McCollum

CONTRIBUTING EDITORS Bill Baker

Bernadette B. Bernon

Andrew Ferguson

George Herrick

Finn-Olaf Jones

P.J. O' Rourke

Todd Pitock

Mike Salisbury

Dick Teresi

Laurie Werner

EDITOR AT LARGE Jerome Cramer

CONTRIBUTING PHOTOGRAPHER Ron Reeves

PRODUCTION Elaine Y. Fry, Group Director
 of Production and Manufacturing;
 Edward Conrad,
 Director of Distribution;
 Mary Nemeth
 Don Conway
 Joanna Mikolajczuk
 Alison Kotch

ASSISTANT TO THE PRESIDENT Vicki Rogers

FYI ONLINE @ FORBES.COM
 FORBES, INC. (212) 620-2200
 EMAIL: FYIEDITORS@FORBES.COM

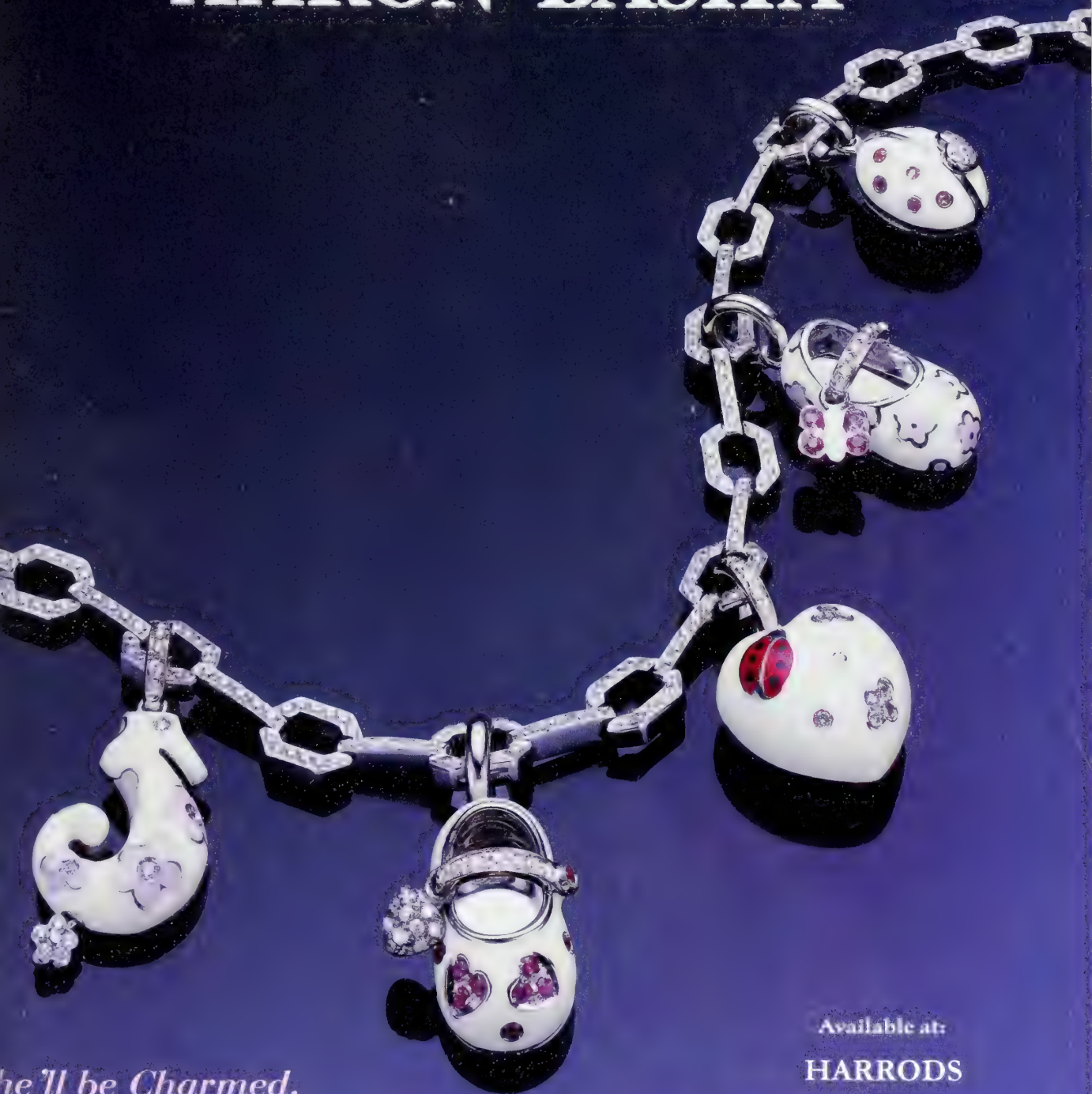
Forbes
.com

WWW.FORBES.COM

COPYRIGHT ©2005 FORBES INC. ALL RIGHTS RESERVED.
 PRINTED IN U.S.A.



AARON BASHA



he'll be Charmed.

You'll be Enchanted

Original Basha Charms

Gold with Diamonds and Enamel

Aaron Basha Boutique

100 Madison Avenue New York, NY 10021. Between 61-62 St. [212] 935 1960 www.aaronbasha.com

Available at:

HARRODS

NEIMAN MARCUS

SAKS FIFTH AVENUE



Ravazzolo
FINE CLOTHING SAVINIA

Salutes

Utah Woolen Mills'
100th Anniversary

Fine Clothing for Men
Salt Lake City, Utah

Five Generations
Since 1905

fyi

VICE PRESIDENT AND PUBLISHER
ASSOCIATE PUBLISHER

Jack Laschever
Moirra Forbes

FYI SALES REPRESENTATIVES

NEW YORK Linda Antonelli; Amy Rossi, Account Executive
LOS ANGELES Ann Marinovich
CHICAGO Zoeller Media Sales: Kevin Zoeller, Whitney DeLuca, Vicki Pelling, Kristen Richardson

HAWAII Destination Marketing Hawaii: Debbie Joseph, Tori Abe
SOUTHEAST/FLORIDA Avid Media Group: Chris Van Dune

FORBES MAGAZINE

NEW YORK Jennifer Giampietro Cooke, Felix DiFilippo, Group Advertising Directors; Vicki King, Sherry Philips, Diantha Redd, Hayley Romer, Frank Rosa
ATLANTA John Reock

BOSTON Gary Manis, Mgr.
CHICAGO William J. Powers, Mgr.; James W. Wall

DALLAS August Media: Jackie Olson
DETROIT Shauna Haras, Group Advertising Director; Christine Schultz

LOS ANGELES Jill S. Harris, Mgr.; Lisa K. Carden
SILICON VALLEY Frank Thom, Group Advertising Director; Chesley Bohac, Denyce Kehoe, Chris Litchfield
WASHINGTON, DC C. David Pinkerton, Jr., Group Advertising Director

SPECIAL PROJECTS AND DEVELOPMENT

Edward Z. Hughes, Vice President Custom Solutions
Carol Nelson, Special Sections Director

EUROPE
LONDON
GERMANY/BELGIUM/ LUXEMBOURG
FRANCE
ITALY
SWITZERLAND/SPAIN
NETHERLANDS
NORDIC REGION
MIDDLE EAST
SOUTH AFRICA

Robert Crozier, Vice President/Managing Director, EMEA
Sam Davies, Regional Sales Director
Juanita Caspari, Regional Sales Director
Intermedia Ltd.: Fiona Lockie
MRMedia: Matteo Ravanella
CS/h Ltd. Carol Shamich
Steve Rau
International Media Sales A/S: Finn Isdahl
Intermedia Ltd.: Vivienne Davidson
Media Action c.c.: Nigel Twidale

ASIA
TOKYO

William Adamopoulos, President and Publisher, Forbes A
Hiroyuki Nakagawa, Japan Director; Toshiaki

SINGAPORE
HONG KONG
AUSTRALIA
CHINA

Iizuka, Japan Advertising Sales Director
Joyce Lim, Serene Lee, Regional Sales Directors
Pauline Seow, Eva Cairns, Regional Sales Directors
Nuance Multimedia Pty Ltd: Jim Clarke
Beijing: Raymond Li; Shanghai: Lynn Fan;
Shenzhen: Maggie Su

INDIA
NEW DELHI

Medaiscope Publicitas (India) Pte Ltd.: Mumbai: Marzban I
Ms. Rachna; Bangalore: K. Rajesh; Chennai:

MALAYSIA
TAIWAN

Vinod Kumar; Kerala: A.C. Somnath
AInfobase Media Services Sdn Bhd: Ng Tze-Lin
AMS Advance Media Services Ltd: Keith Lee

PRESIDENT AND PUBLISHER FORBES MAGAZINE GROUP

James S. Berrien

VICE PRESIDENT ASSOCIATE PUBLISHER FORBES MAGAZINE GROUP

Kevin Gentzel

VICE PRESIDENT NEW BUSINESS PARTNERSHIPS

Mike Woods

EXECUTIVE VICE PRESIDENT CHIEF FINANCIAL OFFICER

Sean P. Hegarty

SENIOR VICE PRESIDENT GENERAL COUNSEL AND SECRETARY

Terrence O'Connor
MariaRosa Cartolano, Assistant General Counsel

SENIOR VICE PRESIDENT GENERAL MANAGER

Scott E. Masterson

SENIOR VICE PRESIDENT CORPORATE COMMUNICATIONS

Monie Begley Feurey
Laurie Baker, Director

MARKETING AND EVENTS

Debbie Himmelfarb, Vice President
Nancy Bensimon, Executive Director
Marcia Thompson, Merchandising and Events Director

You promised her
the world.
Now you can
give it to her.

For less than the price of a single luxury vacation home,
a membership in Dream Catcher Retreats gives you and your family
multi-million dollar homes in the world's most desirable
destinations—without any of the hassles of ownership.

Gift certificates start at \$150,000.

Amelia Island | Beaver Creek | Cabo San Lucas
Cancun Island | Jackson Hole | Kiawah Island | La Quinta
Maui | Napa Valley | Scottsdale | Telluride | Turks & Caicos Islands
Village of Pinchurst, NC | Coming Soon: Cap Ferrat (South of France)
Costa Rica | Lake Tahoe | Lanai | Las Vegas | London
Manhattan | Naples | Orlando | Portugal | South Beach
Tuscany | West Palm Beach

... And More To Come

DREAM CATCHER[™]

RETREATS

Your Destination Club.
Feel at Home in the World.™

www.dcr.com/fyi

To learn more about Dream Catcher Retreats
and our limited time membership offer,
please call us in the U.S. at 1-866-618-3954,
in Europe at +44 (0)20 7661 9313
or visit www.dcr.com/fyi.



All I Want For Christmas Are My Two Front Seat.

THE HOLIDAYS ARE SUPPOSED TO BE A HAPPY TIME, BUT LET'S be honest: Who among us does not sigh inwardly—groan, even—the Friday after Thanksgiving, upon hearing the first bars of “Have Yourself a Merry Little Christmas” issuing from the nearest loudspeaker? It's enough to release one's inner Scrooge. Or to quote Oscar Wilde, whose tomb in Paris our correspondent O'Connell Bath visits in this issue, “One must have a heart of stone to read the death of Little Nell without laughing.”

Such were my peckish thoughts upon sitting down to compose my holiday pastoral letter to our readers. Then I reread the contents of this, our thickest holiday issue ever, and the sound I heard was not that of a saccharine Christmas carol but the muscular, joyous trumpet blasts of Handel's *Messiah*: Hal-le-lu-jah!

Yes, the world is (as usual) troubled. Storms and earthquakes have left tens of thousands of people displaced. American troops will spend another yuletide season far from home, fighting in a land not far from where the first Christmas is believed to have taken place. To be truly joyous, any holiday celebration must include a place at the table for them, if only in our hearts. *FYI*'s founding motto was and remains “The Good Life,” and by any definition that means making life good for other people.

This issue should help you in that regard. As I perused the contents, I started counting the number of gift opportunities. You need a calculator. If, after reading the last page, you still don't have any idea what to give the kids, dad, mom, Aunt Harriet or that uncle you don't really like but who's worth \$15 million and is 10 years old and doesn't have any blood heirs—well, you're a tough audience indeed.

If, on the other hand, you can't decide what to buy the editor of this magazine by way of showing your appreciation, look no further than our cover. As it says: “Really. You shouldn't have.” •

Happy holidays.

Christopher Buckley



Samsung is making DLP™ HDTV an even more unforgettable experience for the eyes and ears.
The other senses are up to you.



Introducing Samsung's newest generation of DLP HDTVs.

Samsung's heritage in DLP HDTV has always resulted in an extraordinary sensory experience. But now, with our fifth generation Cinema Smooth™ Light Engine, we take high definition to staggering new heights of clarity, crispness and brightness. With no burn-in or picture fading. So stop watching TV. Start living it. www.samsung.com/dlp

©2005 Samsung Electronics America, Inc. All rights reserved. Samsung is a registered trademark of Samsung Electronics Co., Ltd. Screen images are simulated. DLP and the DLP Medallion are trademarks of Texas Instruments. The Tree Medallion is a registered trademark of Julius Sämann Ltd and used with permission. All product and brand names are trademarks or registered trademarks of their respective companies.

The greatest luxury in life is time. Savour every second.



United under a "winged B", Breitling and Bentley share the same concern for perfection. The same exacting standards of reliability, precision and authenticity. The same fusion of prestige and performance. In the Breitling workshops, just as in the Bentley factories in Crewe, cutting-edge technology works hand in hand with the noblest traditions. For devotees of fine mechanics Breitling has created a line of exceptional chronographs named Breitling for Bentley. While conveying the essence of aesthetic refinement, these wrist instruments are all equipped with high-performance "motors", patiently assembled by watchmakers at the peak of their art. Time is the ultimate luxury.

www.breitlingforbentley.com

BREITLING *for* **BENTLEY**



BENTLEY 6.75



BREITLING
1884

FY Eye

DECEMBER 1 2005



●●● Magnum Opus

FORGET DARTS AND BILLIARDS—foosball is the Great Indoor Game. Nothing beats spinning those rods and making your “table soccer” striker blast the winning goal. Enter the Opus. Developed by the Edinburgh-based Eleven Forty Company, it’s half sleekly designed art piece, half rec-room Wembley Stadium. With a solid oak frame, aluminum players’ bodies and stainless-steel legs, the Opus can withstand bruising matches. The pitch itself is made of tempered, frosted glass that can be illuminated from below

for a variety of “lighting atmospheres.” Even groovier, appropriately named “Doppelgänger” technology can micro-cast 3-D heads from photographs, so you can field a team of soccer gods like Valderrama or Maradona, or your friends and family. Mindful of its hefty price (starts at about \$45,000) and, well, heft (800 pounds), the company will send an Opus technician anywhere in the world to deliver, set up and balance your table. Takes 16 weeks to build. 011-44-131-556-8060, www.elevenforty.com.



Hot Rod Squad

HE BUILT THE CARS THAT appeared in *Blade Runner*, *RoboCop* and *Gone in 60 Seconds*. He's won every award possible for hot-rod design. Now Chip Foote has opened his own Huntington Beach, California, design studio specializing in illustration, graphics, model making and complete car construction. Order up one of his less-is-more custom designs, and you can be sure it'll be one of a kind. www.chipfoote.com.

HIGH RELIEF

TO CREATE THESE COLORFUL PORTRAITS, Superdeluxe employs the same silk-screen maker Warhol used for his most famous prints. Working from photographs, co-owner Karin Spraggs updates the classic silhouette with vivid inks and colorful papers. Colors can even be made to match, say, a couch. Also, check out the often witty greeting cards designed and printed with Spraggs's partner, Adrienne Wong. Rich in texture and ornament, there's one for every occasion, but they can be custom-created too. 20" x 28" serigraph portraits start at \$650; 30" x 38" cost \$1,300 and up. Cards start at \$8.50 or \$400 for custom sets of 100. (212) 260-8300, www.superdeluxenyc.com.



Secrets of the Maestro

FOOD CRITIC CRAIG CLAIBORNE once said that some of the most memorable meals of his life were taken in Edward Giobbi's family kitchen. Back in the 1970s, Giobbi's first book, *Italian Family Cooking*, became something of a home-cooking bible; now Giobbi and his daughter, writer and *FYI* contributor Eugenia Giobbi Bone, have collaborated on *Italian Family Dining* (Rodale), which takes its inspiration from the extended Giobbi clan. In addition to offering a plethora of delicious seasonal recipes, the book explores how Italians eat: from the structure of the meals, to the ingredients, to an exploration of how dining together helps establish and maintain familial and social bonds. \$28.

ITALIAN
FAMILY
DINING

EDWARD GIOBBI
EUGENIA GIOBBI BONE



SLOW CHILDREN

WHAT RED-BLOODED LAD DOESN'T RECALL HIS YOUTH, WHEN STOP signs swiped from around the neighborhood adorned clubhouses and dorm rooms? The police take a rather dim view of such timeless decor, but cool signs rule. Roundabout Signs has gathered authentic road markers from around the world. (Shown: Dutch Water Hazard/Cliff Ahead and German Autobahn signs). They range from fairly common roundabouts and autoroute signs to more rare German Tank and Australian Kangaroo crossing warnings. From \$125. www.roundaboutsigs.com.



Hennessy
COGNAC



Hennessy X.O, l'original



Reward yourself.

Reward is one of the reasons most frequently given for buying a Rolls-Royce Motor Car. While customers vary widely in age, background, education and occupation, they all have one thing in common. Success. They are the best at what they do and they have excelled in their chosen field. Now, at the top of their game, they can take the time to do something for themselves. For some, it is that enduring symbol of success, a Rolls-Royce. To understand why the world's most successful people have made Rolls-Royce their choice, experience one for yourself.



Experience the extraordinary.
Contact your Authorised Rolls-Royce Motor Cars Dealer.

Atlanta, GA Bellevue, WA Bethesda, MD Beverly Hills, CA Clearwater, FL Dallas, TX Dublin, OH Fort Lauderdale, FL
Greenwich, CT Houston, TX La Jolla, CA Las Vegas, NV Los Gatos, CA Miami, FL Newport Beach, CA New York, NY
Northbrook, IL Orlando, FL Palmyra, NJ Parsippany, NJ Pasadena, CA Raleigh, NC Rancho Mirage, CA Sewickley, PA
Scottsdale, AZ Troy, MI Wayland, MA Westhampton, NY West Palm Beach, FL

Visit www.rolls-roycemotorcars.com or call 877.877.3735

Rolls-Royce Motor Cars Limited. The Rolls-Royce name and logo are registered trademarks.

Porsche Every Kitchen

There's a culinary martyr on your holiday shopping list, it's time for an intervention. Consider Leifheit's F.A. Porsche collection. The German manufacturer of household tools engaged the folks at the Design to reconceive some of the most commonly used kitchen implements as functional objets d'art. Even packaging manages deftly to straddle the line between form and function, neatly displaying the tools upright on



interconnecting wooden blocks while keeping them tidily organized within arm's reach. "Snip" scissors (\$45), "Screw Drive" corkscrew (\$50), "Splash" bottle opener (\$30), "Kniff" jar opener (\$30) and "Turnaround" can opener (\$50). At Dinnerware Depot. (941) 342-8242, www.leifheithousewares.com.



The Gascon Flame

"COGNAC IS LIKE A BEAUTIFUL YOUNG GIRL," SAY THE ARMAGNAC-LOVING GASCONS. "Armagnac is like a woman, also beautiful but 'of a certain age,' that you would not bring home to introduce to your mother." Often called Cognac's country cousin, Armagnac is the original French brandy—still single-distilled in ancient-style alembics—and in the hands of a master, capable of producing an unparalleled array of full-palate flavors. Even in a tradition-steeped region, Laberdolive stands out as an artisanal Luddite. This fifth-generation family firm still fires its old copper still with wood from its own forests, and ages the brandy for years in black-oak casks until the alcohol reduces itself through evaporation, rather than by being diluted with water. The results are masterpieces like the ethereal 1985. \$98. Imported by Veritas, www.veritaswine.com.

Chocolate, the Other Health Food

CHOCOLATE LOVERS HAVE LONG PRIZED THE DARK VARIETY FOR ITS TASTE, BUT THERE ARE additional reasons to love it as well: Because of its high concentration of antioxidant-cocoa solids, it's actually healthier for you than milk chocolate or white chocolate. New York-made Vere chocolates are exclusively dark—and since they contain no chemical additives or preservatives, they're meant to be eaten sparingly. As if we needed any encouragement. Brownies, \$20. www.veregoods.com.





[Check Out My Crib]

STURDY AND FUNCTIONAL ARE WORDS THAT COME TO MIND WHEN DESCRIBING A BABY'S crib—but rarely *beautiful* or *sophisticated*. The Morgan from ducduc comes in walnut or walnut-and-white finish (using non-VOC lacquer paint); its four mattress-height settings provide easy reach; and the drawers under the platform open with leather handles. Swank! You won't give it away when your child hits the terrible twos, either: It converts to a daybed. \$2,400. At Giggle, New York City; B Braithwaite, Atlanta; and www.ducducnyc.com.



KNOCK ON WOOD

Georgian Wood Toys are the anti-video-games: They aren't mass-produced, they don't tell you how you're supposed to play with them and they are only as violent as your child's imagination. Hand-carved and hand-painted from white maple, birch and alder in the Republic of Georgia, they have a nice heft and sensual smoothness in the hand. These are not so much old-school as harkening back to a time when schools were around, the kind of thing Geppetto would have made if he hadn't gotten hung up on parenthood. *Christmas ornaments and toys from \$4.25; the Blue Knight and Dragon set pictured is \$79.95.* www.georgianwoodtoys.net

●●● Salvation in a Sack

EVERY TIME CABLE TV lingers on the latest natural disaster, you promise yourself you will put together a doomsday kit for that earthquake, flood, hurricane, tornado, blackout headed your way.

Ready Freddy knows you're never going to get around to it, so the company has stuffed and brilliantly organized an **emergency knapsack** that includes everything you'll need to hang on until help

arrives. Color-coded pouches include items such as food and water, radios, whistles, tools and playing cards. Wouldn't hurt to have Freddy ready in the car as well. \$150. www.readyfreddy.com.



Santos® 100 chronograph

In 1904, Louis Cartier created the first watch designed to be worn on the wrist for the pioneer aviator Alberto Santos-Dumont.



Cartier



LOOKS LEICA WINNER

Leica's new D-LUX 2 could easily be a fashion accessory. But its clean lines belie the powerful camera within. It has a 4x zoom lens designed specifically for an 8.4-megapixel sensor, a 2.5" LCD screen and a cleverly concealed flash that pops out only when you need it. An image-stabilizing function ensures sharp pictures in low-light situations. What the camera doesn't have is a lot of confusing dials and buttons. Hallelujah. \$800. www.leica-camera.com.



Coalition of the Swilling

EARLIER THIS YEAR THE U.S. DEPARTMENT OF Agriculture and the government of Spain approved the first slaughterhouse and curing facility for exported *jamón ibérico*. Among discriminating palates, this black Iberian hog—the Holy Grail of porcine products—holds a status similar to that of beluga caviar or Italian black truffles. La Tienda, an importing firm in Williamsburg, Virginia, is taking orders for *ibérico* products now: Because the curing process takes so long (two to four years), the first bone-in *pata negra* won't be available until 2006 or 2008, but chorizo and loin are promised for 2006. And yes, your bone-in ham probably will arrive with the black hoof intact. Price minimums are \$69/lb. for boneless (average weight 8.5 lbs.), \$89 for bone-in (average weight 15 lbs.). www.tienda.com

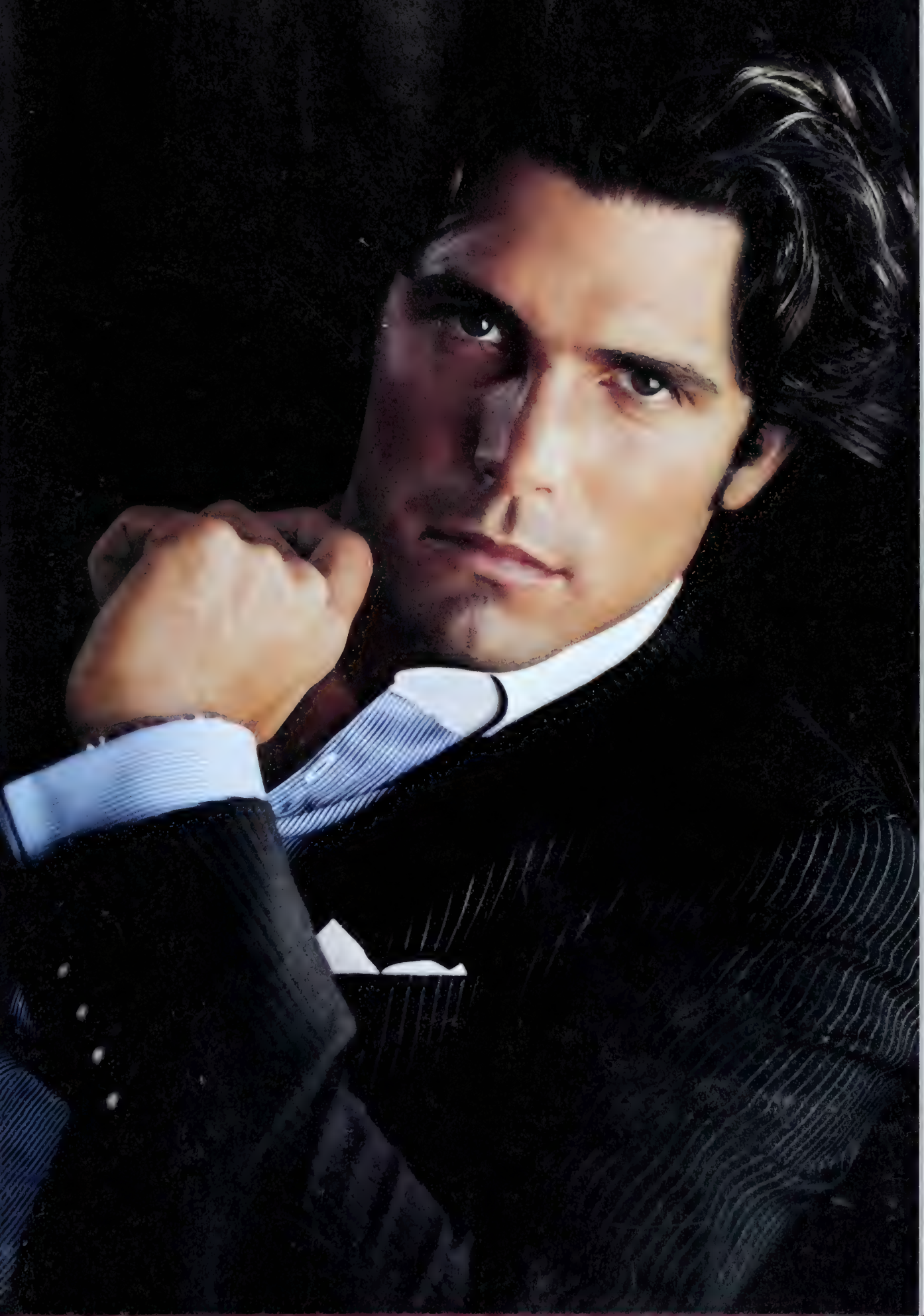
Seven of a Kind

WHAT IS IT ABOUT C.M. Coolidge's dogs-playing-poker paintings? They're icons of tasteless art, yet as all-American as Rockwell or Wyeth. And about as collectible, it turns out. Earlier this year, a New Yorker

bought a pair at auction for a staggering \$600,000. The new *Dogs Playing Poker Kit* goes for a mere \$25, but it's bound to be a collector's item itself one day. It comes with two decks of Coolidge-inspired dog-

themed cards, chips and an appropriately silly rulebook and history of the game written by Stan Friedman. For the dog who has everything... www.barnesandnoble.com.





The Cared-For Can

THERE ARE MOMENTS FOR vintage Champagne drunk out of crystal flutes, and there are moments for beer slugged straight from the can. Honor the latter with Colonel Littleton's handmade mono-grammed **leather can caddies**. Taxonomically a "koozie" and more typically made of foam, this little wonder of engineering performs three services—it keeps your beverage cold, fingers warm and a ring off the coffee table. Colonel Littleton, a Tennessee gent who's been selling fine leather goods since 1987, has lined his handsome holders with neoprene and riveted them with brass. \$95 for a set of 4. (800) 842-4075, www.colonellittleton.com.



Rackets to Boast About

NOW'S THE TIME OF YEAR TO REDUCE YOUR ROUNDHOUSE TENNIS SWING INTO a compact, snappy squash stroke. New **rackets** from Head, Prince and Wilson should ease the transition. Head's Flexpoint 160 (\$170), with its slingshot frame action, achieves the airiest balance in hand, Prince's powerful O³ Silver (\$275) offers a forgiving sweet spot and Wilson's nCode nTour (\$140) is the loveliest of the three. Remember: wrist cocked, racket up, recover to the T. www.head.com, www.princesquash.com, www.wilson.com.

PINK

THOMAS PINK
JERMYN STREET LONDON



shop online at www.thomaspink.com



Holiday Hang-Up

These distinctive hand-blown glass ornaments by Ed Pennebaker hail from deep in the Arkansas woods.

Pennebaker's Red Fern Glass studio is already known for intricately designed chandeliers. For the holiday season, he turns his attention to both curly and round ornaments, produced with his own mix of colorants such as cobalt, iron, copper and nickel. The results are delicate pieces that seem to glow from within. *Ornaments, \$22-\$45, available at Zart in Eureka Springs, AR, (870) 540-9805; River Market ArtSpace in Little Rock, AR, (501) 324-2787; and Bluestem Missouri Crafts in Columbia, MO, (573) 442-0211; www.redfernglass.com*

[Portrait Sit]

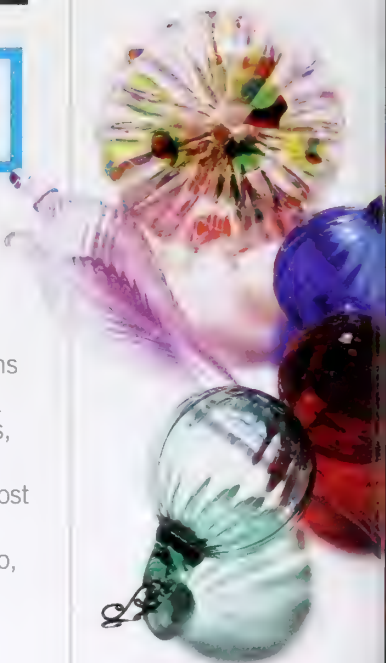
DEBORAH SAMUEL'S BACKGROUND AS A COMMERCIAL AND FINE-ART PHOTOGRAPHER,

as well as a dog owner, informs her black-and-white portraits of man's best friend.

She's even published two books of her photos, *Dog and Pup*. Samuel's commissions



start at \$2,500 for up to five 11" x 14" prints—head shots, full-body portraits and abstract images. (Group pictures cost \$2,000 more per pooch.) Based in Santa Fe, New Mexico, Samuel will travel based on the timing and number of commissions in the same area. www.deborahsamuel.com.



NOKIA
Connecting People

Technically speaking, it is beautiful.

High-tech. High-performance. High-grade stainless steel.
The Nokia 8801 phone is the perfect blend of beauty and brains.

To find an exclusive retailer near you, visit nokiausa.com/8801



NOKIA
8801



Shoppers' Dividend

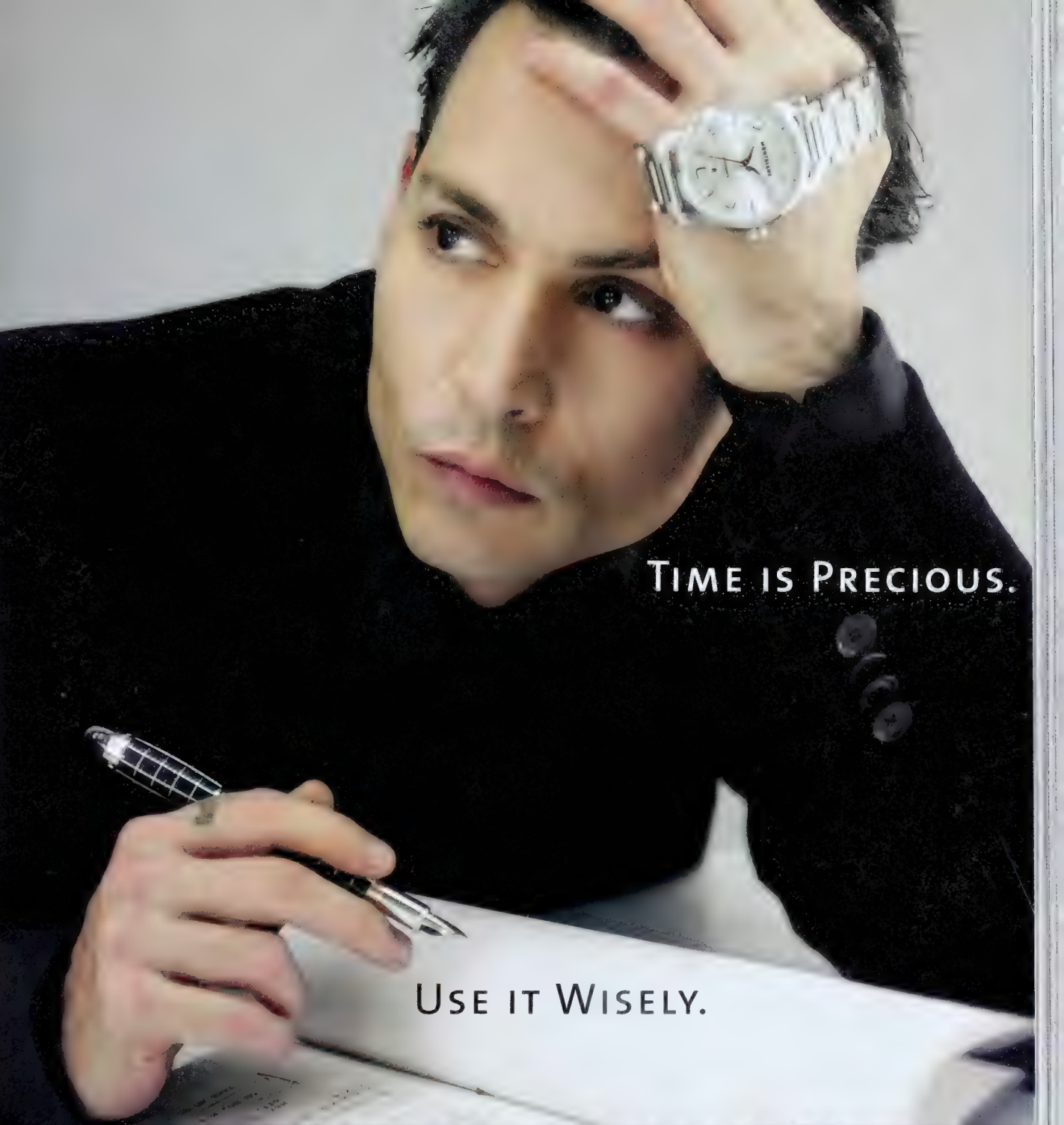
If you've been mired in a secret shame spiral over not having started a 529 college savings plan for your child, LittleGrad.com has devised a painless way for you to atone. Simply register at its site and start shopping. More than 1,000 merchants offer rebates of anywhere from 1 to 65 percent on purchases, which LittleGrad channels directly into your child's 529 account. If you haven't established one

yet, you can do so gratis online through Fidelity Investments. With preferred retail participants like Thomas Pink (8 percent), Yoox (10 percent), Bloomingbulb.com (12 percent) and Smug Mug Inc. (25 percent), there's no compromise. Relatives and friends are also eligible to register and contribute. Do the math. Do your kid a favor. Do holiday shopping online. This one's a no-brainer.



●●● Dialing Up a Modern Classic

THERE'S PROBABLY NO GOOD REASON TO INCORPORATE WOOD INTO ELECTRONICS DESIGN. BUT THE telephone needed an update, even if the one by Toshiba offshoot RealFleet's Amadana line appears to pay homage to 1970s style with wood paneling. The cradle is clear-cut acrylic and natural walnut; its receiver, genuine leather. Already a hit in Japan, it will be available in the States late this year; price to be determined. en.amadana.com.



TIME IS PRECIOUS.

USE IT WISELY.

In our future, we must nurture our children's fantasies, and inspire their creativity. This requires access to the arts that too many children have. Join Johnny Depp, the Entertainment Industry Foundation, and Montblanc in helping children develop their most valuable asset: imagination. With your purchase of a Montblanc watch or writing instrument, a donation will be made to EIF's National Arts Education Program. For more information, please call 800.995.4810 or visit www.montblanc.com/eif.

ENTERTAINMENT
INDUSTRY FOUNDATION

**MONT
BLANC**



National Arts Education Initiative
An Entertainment Industry Foundation Program



●●● French Setting

IN 1672, THE SUN KING ORDERED FRENCH NOBLEMEN TO HAND THEIR GOLD AND SILVER TABLEWARE over to the Treasury. What's a marquis to eat on? *Faïence*, or tin-glazed earthenware, was the answer—and the picturesque Provençal village of Moustiers-Sainte-Marie, with its abundance of skilled ceramic artisans, produced coveted examples of the art. Today, *faïence* workshops packed with the intricately hand-painted tableware line the town's narrow streets. Atelier Soleil, with its appealingly whimsical motifs, is one of the town's finest. *Pieces from \$30 to \$230. 011-33-4-92-74-63-05, www.soleil-deux.fr.*



TIME ZONES

No one likes wasting precious time. Underwood (London)'s watch winding boxes are literal time-savers: Their motorized compartments slowly rotate, keeping automatic watches wound so you don't have to. Plus, each compartment detaches to tuck inside a single carry-on for travel. *UN 820 watch winding box, \$3,200, by Underwood (London) USA (800) 364-5441, at Neiman Marcus and Tourneau stores. Watches by Carl F. Bucherer, (800) 395-4333, info@cfbnorthamerica.com.*

Never Follow audiusa.com

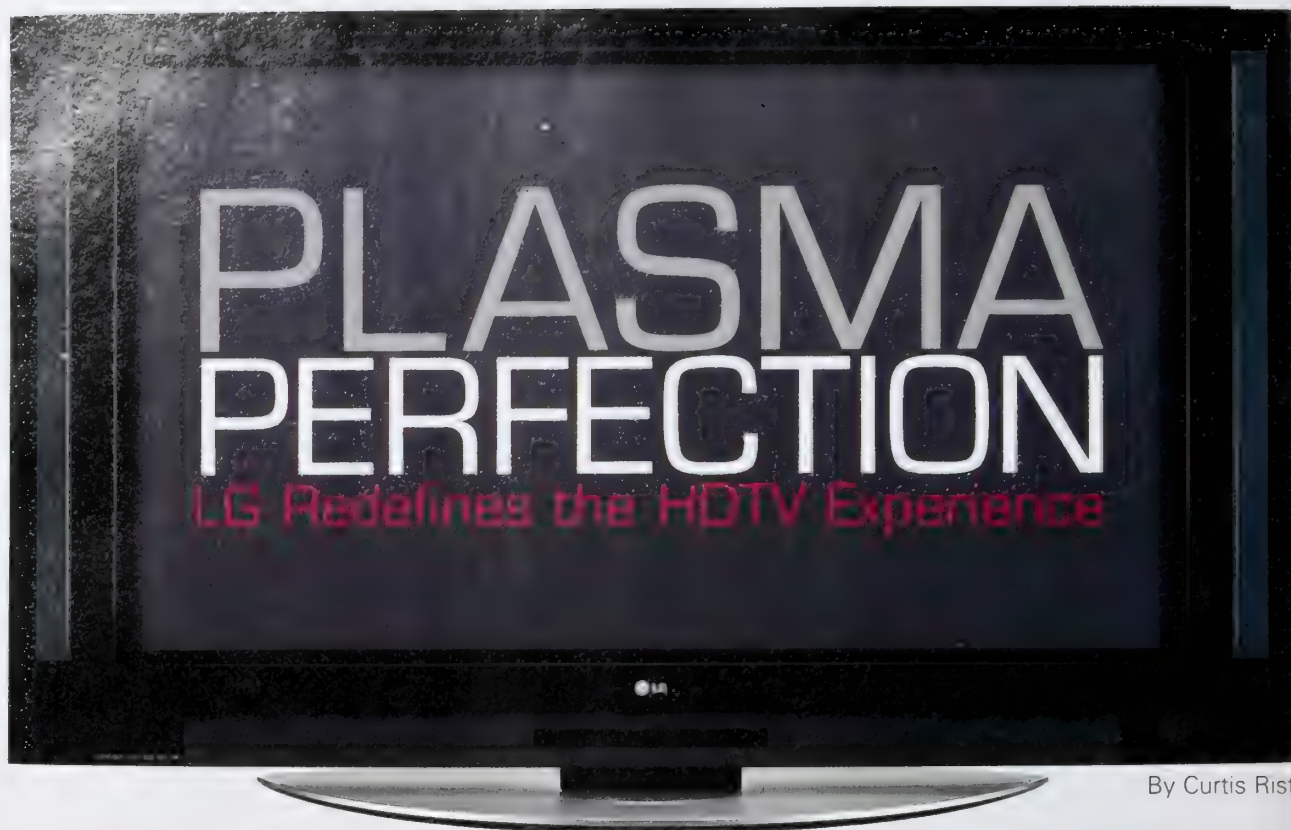


let envy.

Audi A8 with a 335 hp V8 or 450 hp W12. With MMI™ quattro® all-wheel drive, an aluminum Audi Space Frame and a sumptuous interior of fine woods and Valcona leather, it has again been named "America's Best Luxury Car" by AutoWeek. Simply driving the A8, A8 L and A8 L W12 is an enviable task. It's greater to lead than follow.



Never Follow, "A8," "quattro" and the four rings emblem are registered trademarks and "MMI" is a trademark of AUDI AG. ©2005 Audi of America, Inc.



By Curtis Rist



Because of their incredibly lifelike resolution and brightness, plasma TVs have become the hottest electronics product on the market. Now LG Electronics has launched its sleek new 60- and 50-inch plasmas with built-in digital video recorders (DVRs), which promise to be among the most appealing and versatile plasma TVs yet.

Already the accolades from electronics experts are pouring in. "Flat-panel TVs are compelling on their own, but this one goes beyond any I've seen," writes Grant Clauser in a recent *E-Gear* magazine performance review of the 50-incher. "It does so much more than just offer a good picture. It's by far the coolest plasma I've ever used."

What sets the LG Model 50PY2DR apart is its versatility, as well as its thin and elegant design. In addition to offering a great picture and home entertainment system quality sound, the TV has a number of groundbreaking advantages. These include:

- **An integrated HD-DVR.** The 50PY2DR is the first to contain a built-in 160-gigabyte hard drive, as well as an on-screen program guide that turns the whole thing into a DVR. It's like having a high-definition TiVo, minus the extra box on top of the set and the extra monthly fee.
- **An easy user interface.** Innovative design makes it easy to record, pause and play back live TV on the mammoth hard drive, which can store up to 13 hours of digital high-definition programming or 63 hours of standard-definition

programming. The set also features the convenience of the TV Guide On-Screen® interactive program guide, which displays eight days of program information.

- **Simplicity in installation.** The unit is also digital cable ready, which eliminates the need for a separate cable set-top box. Combined with the built-in 9-in-2 multi-memory card reader, users can store digital photos from their digital camera, music from their MP3 player on the hard drive, and then organize and save for future viewing and listening.
- **An extended plasma panel lifespan.** To prevent the image burn-in that occurs when bright static images sometimes remain on the screen, LG has designed a system that slowly fades static images imperceptibly, one pixel at a time, to save the screen. The company rates its plasma panel at 60,000 hours, which amounts to 20 to 30 years of normal use.

One other advantage of the 50PY2DR is its price. At \$7,999 (or \$14,999 for a 60-inch version), it ranks as one of the best values in a plasma TV today, especially when you consider the DVR, cable tuner and all the other built-in features. For more information, visit www.LGusa.com or call 800-243-0000.



REDISCOVER THE MAGIC OF TELEVISION.

Remember how you loved TV as a child? Bring the same thrill back with a flat panel television from LG, the world leader in flat panel production*. Whether you choose our award-winning plasma with a built in HD-DVR, or any of our other HD LCD and Plasma TVs, you're getting stunning design and the innovative XD™ Engine — the technology behind our brilliant picture quality. LG, the world's largest manufacturer of flat panels and reasons to stay up late.

© 2005 LG Electronics, Inc. Englewood Cliffs, NJ. LG, Design and Life's Good are trademarks of LG Electronics, Inc. *Based on 2004 PDP and LCD module production revenue.

www.LGusa.com

HOW TO STUFF A STOCKING.



Maker's
 Mark

WE MAKE OUR BOURBON CAREFULLY. PLEASE ENJOY IT THAT WAY.

smo morocco | los angeles after dark | new york retro |
 esh glitter in monaco | south beach high | berlin phoenix



NORTH AFRICA

MOROCCO: I was riding my first camel at the edge of the Moroccan Sahara, bouncing Berber-like toward the sculpted sand dunes, when my cell phone rang. Given the evil eye I was getting from the camel angler, I decided to hop down and finish the call back in my tent. I can now say I've ridden a camel—steps, anyway—but the wonder to me was that my phone was ringing in the middle of the desert when I often lose the signal for blocks in midtown Manhattan. • The answer lies in the economics of modern-day Morocco—specifically, a duel to the death between the country's two mobile phone giants. In some rural areas villagers have to walk half a day to find water, but they could use their cell phones to call home if they had them. But that's typical in a country with a rush-hour traffic jam out of Marrakech >>

GERMANY

Berlin: As the epicenter of the 20th century's tumult, Berlin can't avoid its past, but a trip to today's Berlin is hardly a somber experience, as the city bustles with fashion, nightlife and galleries. New construction has turned it into an architectural showplace, and it boasts one of the world's best selections of museums, from the archeological Pergamon to Mies van der Rohe's Neue Nationalgalerie to the Jewish Museum. It is also home to Germany's most storied hotel, the **HOTEL ADLON**, now luxuriously reconstructed on its original Pariser Platz site near the Brandenburg Gate.

The Adlon's history is deeply intertwined with Berlin's. The original hotel was built in 1907 with sponsorship from the Kaiser, who was also its first guest. The Adlon enjoyed its heyday during the Weimar Republic, with VIP guests such as Josephine Baker, Albert Einstein and Charlie Chaplin. Legend has it that a local cabaret singer named Marlene Dietrich was discovered here, dancing in the hotel bar. But at the end of World War II, most of the hotel was destroyed by fire, with the last remains demolished and cleared by the East German government in 1984. The transformation of Pariser Platz into a Cold War wasteland was complete.

Since the fall of the Wall in 1989, the no-man's-land has been reclaimed. With it came the phoenixlike return of the Adlon, rebuilt in 1997 at a cost of 413 million euros (about \$500 million) and managed by the Kempinski luxury hotel company, itself a legendary name in Berlin hospitality. The highlight of the Adlon's 394 lodgings is a seven-room Presidential Suite (complete with grand piano) that has housed actual >>



Pull up a hook and turn off your cell phone

composed half of Mercedes and half of camels and mules. One part of the culture stays as it has been for centuries, while the other is worldly, glamorous and populated by jet-setting foreigners.

In the post-9/11 world, my announcement that I was going to a Muslim country prompted more than a few puzzled replies ("Don't they hate us?") from friends who are generally sophisticated and well-traveled. And within Morocco I found many people concerned that Americans might feel that way and go somewhere else. Still, I hadn't discovered any cause for concern on my last visit to Morocco in the fall of 2002, and since then, expats have continued to stream into the country, buying up and restoring *riads* (traditional lodgings built around internal courtyards) and kasbahs (castles) to appeal to style-obsessed Westerners.

A case in point is **RIAD MAISON BLEUE** in Fès, a newer, more casual outpost of the elegant mansion La Maison Bleue elsewhere in the city. I could easily have spent my days there on the hotel terrace, feasting on the array of baked and fried breads, honey and fruit in the morning, vividly spiced vegetable salads for lunch. The rooms are simply and elegantly furnished with local furniture and crafts, most notably in the Princess Suite—one of the royal family's princesses

recently stayed there—with its filmy four-poster bed. The additions planned for the end of 2005 include a hammam, spa and a restaurant in another building down the street that will become part of the complex.

These new additions were the first sign of the building boom that is everywhere in Morocco. In the white coastal city of Essaouira, the similarly named **L'HEURE BLEUE** opened in 2004 in a former 19th-century palace after a three-year renovation in which artisans from all over the country restored the tiles, pillars and intricate woodwork and filled the rooms with plush couches and carpets in a mix of oriental, African, colonial English and Portuguese styles. Located at the edge of the city's medina, it's a brief walk to the waterfront and the outdoor restaurants.

Food is a high point of Sir Richard Branson's hotel, **KASBAH TAMADOT**, near the village of Asni in the foothills of the Atlas Mountains, a 45-minute drive through winding roads south of Marrakech. So is the African chef Jean Mundell (previously at Brans-

EYES ONLY

RIAD MAISON BLEUE Fès, about 230 miles from Marrakech
Tel: 212-53-74-18-12, www.maisonbleue.com

L'HEURE BLEUE Essaouira, about 120 miles from Marrakech
Tel: 212-54-70-01-22-44-78-34-34, www.lheure-bleue.com

KASBAH TAMADOT Asni, about 40 miles from Marrakech
Tel: 212-51-20-01-72-44-38-82-90, www.kasbah-tamadot.com

KSAR CHAR-BAGH La Palmeraie, Marrakech, about 10 miles from Marrakech
Tel: 212-44-52-52-44, www.kasrcharbagh.com

KSSOUR AGAFAY Marrakech, about 20 miles from Marrakech
Tel: 212-51-20-01-72-44-38-82-90, www.kssouragafay.com

● Customized trips, all meals and accommodations at the unfathomably reasonable. Look for the award-winning Heritage Tours in Marrakech, Morocco, 2005. Tel: 212-51-20-01-72-44-38-82-90, www.heritage-tours.com

0 YEARS OF UNINTERRUPTED HISTORY...

1776. When the U.S. Declaration of Independence was signed, Vacheron Constantin was 21 years old.

Model 1755

Super 2475 selfwinding mechanical movement, 28,800 v.p.h., 27 jewels. Geneva Hallmark. 18K white gold case with transparent back. Elaborately decorated with 22K oscillating weight. Hour and minute hands, Roman numerals and Arabic hour markers in 18K gold. Date window and center seconds hands in 18K gold and steel.

50/000G-9141



...DEDICATED TO PERFECTION



VACHERON CONSTANTIN

Manufacture Horlogère. Genève, depuis 1755.

For information call 877-862-7555 - www.vacheron-constantin.com



Hotel Adlon:
above, happier
days at the
Brandenburg
gate; below,
return of a
Grande Dame



presidents (both Bush and Clinton), Queen Elizabeth II and even the so-called King of Pop, Michael Jackson, who famously dangled his baby from the window here in 2002. Much to my disappointment, Tom Cruise had booked the suite during my stay, so I had to make do with a junior suite, which featured such amenities as a steam shower, flat-screen TV, and plush salon furniture. My will to leave the hotel was further sapped by the spa's Roman bath-style pool and cocktails in the lobby lounge, which is humbly >>

Necker Island in the Caribbean) has classical training and a touch with the local flavors: The night banquets on the roof torches lit, local Berber musicians serenading and a bit of spicy, fragrant local dishes are almost dreamlike. For those who've missed the camel experience, there are two hotel donkeys and a donkey named Said (translation: happy) who has uniformly sunny personalities.

Unfortunately, other aspects of the hotel aren't at the same level. The dark brown, rather heavy-looking Kasbah (discovers by Branson's mother, Eve, apparently, and bought in 1998, she talked him into it) was formerly the home of antique dealer Luciano Tempo, who made some unfortunate modifications (those picture windows are not very kasbah-ish.) He also possesses a wildly disparate collection of African, Indian, European and Far East furnishings that now adorn the hotel. In some rooms the mix is harmonious (including #31, Branson's favorite where he's in residence, with its green Venetian chandelier and gilded painted Chinese armoire), but in others, the pieces clash violently. The decors will likely change frequently anyway, because guests are allowed to buy pieces they like and then others are moved in from a warehouse to replace them.

In contrast, just outside of Marrakech in the Palmeraie is **CHAR-BAGH**, easily the most beautiful Moroccan hotel to be built in recent years. Newly constructed as a perfect re-creation of a 14th-century Moorish palace, with an imposing tower and courtyard with a reflecting pool reminiscent of the Alhambra, it's sumptuous, soothing and very, very stylish. "We didn't want to do what everyone else was doing," explains Nicole LeVillain, a French woman even more stylish than her hotel, which she designed and co-owns with her husband, Patrick. That means there's no souk kitsch here: The 13 lodgings and the labyrinthine curving stairways and passageways are filled with one-of-a-kind *objets* such as hand-carved Syrian chairs and a vast 17th-century Iranian tray. The rooms are also expansive, sophisticated and authentic, painted a range of colors from golden beige to Etruscan red with quicklime and marble dust mixed into the pigments. Everything is exquisite, from the deep rectangular marble

to the Italian bedspreads to the chocolate pot de crème served along with the coffee.

That's not the tone at **KSSOUR AGAFAY**, one of a cluster of new riads inside the Marrakech medina (others: the sleek Riad Farnatchi; the ornate, more traditional La Sultana, a collection of riads joined together behind ancient walls; and the brightly colored, art-filled Riad el Firdous, owned by Richard Branson's sister Vanessa). Kssour, the 16th-century sister property of the more restrained countryside Kasbah Agafay and part of a UNESCO World Heritage site, is decidedly retro, with decor reminiscent of '60s hippie chic: light fixtures of stars and stripes, hanging beads, flower-patterned velvet lining the bookshelves. You expect to find Jimi Hendrix smoking hashish in the lounge. It isn't just a hotel, though, it's a private club and arts foundation, sort of Marrakech's version of Soho House. And as such, it has a social ringleader, the feisty, boyant, multicultural Pablo Ganguli, who enthusiastically calls out, "Come with us, darling, we're going to Pasha" (a hip Marrakech restaurant/club) moments after meeting me and settles into some serious Hollywood name-dropping. In this part of Morocco, where international fame and fabulousness reside, we Americans have never left. —LAURIE WERNER

CHRYSLER



INSPIRATION COMES STANDARD

T ENGINE COOL BEFORE KISSING.



CHRYSLER 300C. The inspiration: Zero compromises. The result: A powerful presence that makes no compromises. ▶ 5.7L HEMI® V8 with 340 hp ▶ Multi-Displacement System provides up to 20% improvement in fuel economy* ▶ Electronic Stability Program ▶ CHRYSLER.COM, 1.800.CHRYSLER ▶ 300 starting at \$24,200!

as shown, \$34,200. MSRPs exclude tax. *17 city/25 hwy EPA est. mpg. From 5% to 10% improvement, depending on driving habits. Chrysler and HEMI are registered trademarks of Chrysler Corporation. For more information about Chrysler Financial, ask your local dealer.

★★★★★
FIVE-STAR

HIGHEST GOVERNMENT
FRONT-IMPACT CRASH RATING



find pure renewal with Westin

stir your senses and
experience personal renewal



Leave behind the schedules, wash away the tension and start fresh with an escape to Westin. It's your personal path to pure renewal.

At Westin, you choose your own exhilaration with the Westin Pure Renewal Packages. Romance your way to relaxation with a passionate getaway. Refresh your senses at one of Westin's signature spas. Or, reinvigorate the family at one of Westin's Kids Club® locations worldwide. Whatever the body, mind or spirit requires — pure renewal awaits you at Westin:

Energize Yourself

Whether you're looking to stay fit or just recharge, the Westin WORKOUT® package will keep you feeling renewed. Jump-start your day with a healthy breakfast for two. Refuel with complimentary bottles of water. Then revitalize your workout with special offers towards Rodale publications, including *Bicycling*, *Men's Health* and *Runner's World* magazines. It's fitness that fits into your stay.

Experience Family Fun

While your kids make lasting memories exploring their surroundings at the Westin Kids Club®, you'll enjoy every special moment of the perfect escape. The Family Escape & Explore package includes two days of complimentary admission to the Westin Kids Club® from Westin Resorts, a free movie each night from Westin hotels and free meals for children under 12 years of age. It's truly a family affair to remember.

Celebrate Romance

Westin attends to every indulgent detail so you can enjoy renewing stay together. Savor instinctive style and inspired romantic touches, including champagne and strawberries for two, complimentary breakfast in bed and a 4 p.m. checkout. The Renew for Two package is a perfect getaway for a romance revival or a brand-new beginning.

Rejuvenate Your Spirit

Replenish your soul and restore your spirit with a Westin Simply Renew Spa package. Nourish your senses with a \$50 spa credit and a welcome spa amenity. Recharge with complimentary breakfast, then rejuvenate the next day with a 4 p.m. late checkout. You will emerge renewed.

Savor Your Pleasures

The Westin Weekend for Renewal package caters to your every desire. A weekend of rejuvenation is yours to savor as you wish. Book a Weekend for Renewal package and wake up refreshed with breakfast in bed. Reconnect with a complimentary local newspaper, then prolong your perfect weekend with a 4 p.m. late checkout. Personal renewal at its best.

Westin offers countless ways to calm your mind and excite your senses. Choose your own renewal and ask for one of these package offers when calling to make your next reservation at a Westin hotel or resort. For more information, visit westin.com/renewal or call 1-800-WESTIN1.



ill rested. well balanced. welcome to renewal.

Westin Pure Renewal Packages are designed to create extraordinary experiences. Rekindle a romance, refresh your senses at one of our signature spas, or reinvigorate the entire family at one of our worldwide locations. Experience pure renewal today. westin.com/renewal or call 1.800.WESTIN1.

WESTIN
HOTELS & RESORTS
westin.com



Travel

capped by a gold-leaf ceiling.

Nevertheless, Berlin's sights beckoned. I climbed Sir Norman Foster's landmark Reichstag dome, and the next day I explored the former Stasi headquarters, deep in the East and eerily preserved. As always, the city's dark past and inviting present provided jarring contrasts: One not atypical walk took me from the Martin-Gropius-Bau modern-art museum to Checkpoint Charlie along the path of the former Wall, then past the former Nazi Reichsbank to the Museum Island, where I stumbled across an outdoor concert by aging pop stars Duran Duran.

On my last night, I settled gratefully in at the hotel's Michelin-starred restaurant, named for founder Lorenz Adlon. The first course arrived as I was admiring the sunset behind the Brandenburg Gate: vichyssoise topped with a glistening mound of Imperial caviar. "And with caviar," proclaimed the sommelier, "the wine must be Dom Perignon." For the next three hours, each of the seven courses was deftly paired with a different selection from the restaurant's 900-wine list. After such a meal, I ambled outside for a stroll beside the Gate itself and marveled at how good it was to be in renaissance Berlin.

—MATTHEW REED BAKER

Life in the bubb
Monte-Carlo B
Hotel & Res



MONACO

Monte-Carlo: In Alfred Hitchcock's *To Catch a Thief*, Cary Grant, the reformed cat burglar, is asked why he came to the French Riviera. "To meet someone as lovely as you," he says, speaking not to Grace Kelly, the woman he'll eventually fall for, but to her less charming and more bewitching mother. It's a harmless flirtation, really. But it is just the kind of flatulence the Principality of Monaco doesn't want nowadays. Don't come looking

EYES ONLY

The new business collection by

Samsonite

Life's a Journey

me, business isn't about wearing
s or pleasing stockholders.
about being true to yourself,
r ideas and focusing on the essentials."

ard Branson, Chairman of Virgin
inspired world traveler.

Pro-DLX. The business
essentials collection.

Hospitality as theater:
New York's spiashy
Carlton Hotel



NEW YORK

Manhattan: Leave it to architect David Rockwell—also a noted designer of theatrical stage sets—to make a grand entrance. In this case the entrance is the new lobby of **THE CARLTON ON MADISON AVENUE**, the much-anticipated renovation of a Beaux-Arts landmark located at the intersection of two of Manhattan's most charming and historic neighborhoods, Gramercy Park and Murray Hill.

From the moment you enter the dramatic three-story space—descending curved stone stairways—you feel how Rockwell has injected it with drama. It has spare, clean lines and warm gold, beige and caramel tones, not to mention a three-story waterfall backlit with shimmering fiber-optic lights. Somehow this grand hall becomes as intimate as a living room.

Built in 1904 as the Seville Hotel, the Carlton has completed a five-year, \$60-million makeover, including the new lobby. The trick was to harmoniously blend the 21st-century work with the historical structure, particularly once a bounty of original details came to light during excavation.

There were extensive,

pad. There are certain colors that only look good next to water. Salmon is one of them. In the air, the hotel is a smudge of that perfectly selected hue against the deep blue of the Mediterranean. I didn't want to go inside and had to fight the temptation to spend the day staring at the craggy coastline. The resort makes the transition easier with its airy, impossibly high-ceilinged lobby. Here, the modernization effort is in full force, with bright red walls and black metal etched to resemble the sea itself.

Guest rooms are simple and tasteful—just the right amount of marble—with the requisite 42-inch flat-screen television. I barely noticed it, though, my eyes immediately finding the private terrace—my own fair-weather sitting room and the perfect place to enjoy breakfast while envying the guests brave enough to go for an early October morning swim in the chilly sea.

The hotel encompasses three restaurants and a lounge, but right in its backyard is the Sporting Monte-Carlo, housing legendary Jimmy's nightclub. I paid 22 euros (about \$27) for a rather dainty gin and and the privilege of partying with Monaco's glitterati on the same dance floor where Hilton met her like-named erstwhile fiancé. I learned quickly not to mention this fact Monegasque. They want to be associated with youth *and* class.

The Monte-Carlo Bay Hotel & Resort has actually not been honestly named—the area formally called Monte-Carlo is a shuttle ride away. The trip is free, since the hotel's owner, Société des Bains de Mer, also runs Monte-Carlo's two most famous hotels: "The Hôtel de Paris is the place to go. The Hôtel Hermitage is the place to stay" is an oft-invoked rule of the

Unlike the Monte-Carlo Bay, both are done in classic, Old World style. On my way in to dinner at the Hôtel de Paris, I ogled bottles from the hotel's famed wine cellar—30,000 of its 250,000 bottles are more than 20 years old.

I dined at Le Grill, the lighter of two Alain Ducasse restaurants in the Hôtel de Paris. Don't be fooled. The Monegasques, like the French, never take a meal lightly. I enjoyed six courses, including *rouget en filets*, pumpkin risotto and *filet de Saint Pierre grillé*.

for the old gal at the roulette table, nursing the Campari, fingering her diamond choker. Monaco wants to be fresh and young, speeding down the Côte d'Azur in a Sunbeam A roadster with the top down.

The real question, then, is how to change the reputation of this three-mile-long country nestled between the foot of the French Alps and the Mediterranean. Modern Monaco, after all, was built thanks to the economic foresight of the late Prince Rainier and strengthened by the legacy of his love for Princess Grace. The answer seems to be "if you build it, they will come." For the first time in 75 years, the principality has opened a new hotel, the \$260-million **MONTÉ-CARLO BAY HOTEL & RESORT**. Prince Albert II was on hand to cut the ribbon, and the results are, indeed, successfully modern.

To get to Monaco, one usually flies into Nice. From there, it's a quick car ride or helicopter trip to the resort's own

The Monte-Carlo Bay's
watery enclave



EYES ONLY

Rates from about \$360
to \$1,700, depending
on the season. (800)
595-0898, www.monte-carloresort.com



ZENITH

SWISS WATCH MANUFACTURE

SINCE 1865

TIME

DOES NOT HAVE THE SAME APPEAL
FOR EVERYONE.

WILLIAM SHAKESPEARE



GRANDE CHRONOMASTER

Open
El Primero

NINETEEN THOUSAND DOLLARS

Master Open - Rome, Italy

A unique blend of Technique, Style and Emotion. The first mechanical wristwatch revealing the world's fastest Automatic Chronograph El Primero. 4021A Harmonic caliber, 36,000 vibrations per hour, 248 components, 50-hour power reserve triggered by a smile. Tradition: stainless steel or rose gold case, sapphire caseback, black, gray, white or ZENITH brown leather dials, Alligator strap. Modernity: stainless steel case, sapphire caseback, black, gray, white or ZENITH brown leather dials, metal bracelet, genuine rubber or Alligator strap. Available in two sizes, XXT & T. Triple folding buckle.

TOURNEAU

SINCE 1900

6 271 3467

WWW.ZENITH-WATCHES.COM

palazzo-like mosaic-tile floors from 1911 and walls clad in old marble. Over the former gentleman's barroom, a Tiffany-style stained-glass skylight dome had been boarded up since the air-raid days of World War II; it was so blackened with dirt and tobacco smoke that no one at first realized the clarity of its color and design. Now painstakingly restored, it has been mounted over the hotel's high-buzz restaurant, Country, counterpoint to chef Geoffrey Zakarian's chic Town in midtown's Chambers hotel.

"The original space evoked a kind of elegance that had a lot of resonance for us," explains Rockwell. "We used that sensibility to create a dialogue between the old and the new, infusing the original interior with modern design elements such as contemporary furnishings and a glass bridge that we juxtaposed with oiled bronze handrails and distressed paneling."

The 316 guest rooms and suites feature notable elbow room for Manhattan lodgings—these are not cramped "boutique hotel" horse stalls—with luxurious European flourishes. They feature up-to-the-minute electronics, marble baths, Frette linens and, if you're lucky, staggering views of the Empire State Building.

—DONNA PAUL

But the highlight was dessert: Le Grill's renowned *soufflé au Grand Marnier*. Made to share with a group of four, it alone is worth the seven-hour trip to the Riviera.

After such a meal and an evening spent at the very casino where Cary Grant first drew Kelly's attention by carefully dropping a chip into an unsuspecting gambler's cleavage, the day calls for lolling about on the Monte-Carlo Bay's grounds. I walked among ten acres of immaculately groomed landscaping, which include 100-year-old olive trees and palms flown in from Morocco. And then there's the pool, the likes of which Monaco has never seen. It gurgles indoors and flows outside. Half is heated, and half is sand-bottomed, in case the view of the sea from one of the many wooden bridges over it isn't enough.

A fellow guest and I quibbled over whether the grounds were more Vegas or South Beach. I guess we were both right. In its makeover Monaco has stumbled upon the ghost of Princess Grace, inadvertently becoming as American as those it seeks to court.—STEPHANIE COOPERMAN



Jump right in
bedside bathing
at the Setai

FLORIDA

Miami Beach: Lenny Kravitz is building a two-story recording studio in one of the **SETAI**'s penthouses, and its discreet clubroom hosts four "club members" like Sheryl Crow, Boris Becker and Heidi Klum. Not bad for a place that's only been open as a hotel since August. • But even if you couldn't care less about rubbing elbows with assorted celebrities—whether tucking into what the hotel calls "the imperial foods of the west" at the

EYES ONLY

jura
CAPRESSO

Z5
IMPRESSA

The first automatic coffee and espresso center with professional technology and one-touch cappuccino system for home use!



A coffee lovers dream:

Place your cappuccino cup...

Push one button...

Never move the cup...

The IMPRESSA Z5 grinds, tamps, brews the coffee with high pressure, and automatically steams and froths the milk. With eight pre-set beverage buttons all your favorite hot drinks are just one push away: cappuccino, latte, one or two cups of ristretto, espresso, large cups of crema coffee, even hot chocolate and tea.

Made of the finest materials, featuring a beautifully finished undulating alloy front. Fully programmable with low noise operation for grinding and brewing, the IMPRESSA Z5 is the most elegant and quietest Automatic Coffee Center on the market today.

\$3,200 at Williams Sonoma, Sur La Table and other fine specialty retailers, catalogs and websites.

Jura-Capresso offers a complete range of Swiss made Automatic Coffee Centers starting at under \$1,000.

For a free DVD and more information about our products and store locations visit: www.capresso.com/fo



-Touch cappuccino system prepares perfect cappuccinos and
es without moving the cup! A thermal container (not shown)
ps chilled milk cold for up to eight hours.

IMPRESSA

if you love coffee



HOW TO FOIL

a

PICKPOCKET

There are all kinds of pickpockets in this world. Protect yourself by keeping all valuables out of sight. Be alert in crowded areas and carry the American Express® Card. If you lose your passport, we'll assist you in replacing it. We'll also replace your Card if it's stolen or wire you cash in a travel emergency, 24/7. It's a world of service that makes a world of difference.

TO APPLY, CALL 1.800.THE CARD OR JUST VISIT 800THECARD.COM TO LEARN MORE.



A WORLD OF SERVICE®

mpagne, Crustacean & Caviar Bar, perhaps, or languorously
ching beneath the banyan and gumbo-limbo trees at the spa and
complex—the Setai provides you with your very own mildly
al, psychically relocated experience. You get a feeling of living on
ther side of a subtly distorted glass that must accompany those
le every day.

he oceanfront Setai is in South Beach, smack-dab on the Collins
ue Art Deco strip. (“Setai,” if you wondered, means “south
” in Bahasa Indonesian.) But it is not entirely of South Beach by
g shot—not of the buff, young swells at the News Café over on
n Drive, or of the older South Beach a few blocks inland with its
ict souvenir shops and tattoo parlors. Still less is the Setai part
e oldest South Beach, the one that requires the hotel to dim its
ard lights so as not to confuse egg-laying sea turtles.

he Setai is rooted elsewhere. Built by a sister company to the
apore-based, ultraluxe Amanresorts, the Setai is a fantasy enclave
ia as it never was—stylized, coolly cosseted and eclectic.

he hotel is actually two buildings, a low-rise preserving the Art
facade (and nothing else) of the old Dempsey Vanderbilt Hotel,
behind it a soaring 40-story, blue-glass-clad tower that is part
o, part hotel. Step into the low-rise’s lobby from Collins Avenue’s
ng sunlight, and you emerge into a calm, darkened realm with a
less palette of muted earth tones: salvaged antique bricks from
ghai, paving stones from a palace footpath in Beijing, a front desk
hed in *shagreen* (stingray skin). The wood highlights are polished
—the Setai incorporates somewhere between \$10 to \$15 million
n of the stuff—in the floor panels, the plantation shutters, the
n “chandelier” that covers the ceiling of the C. C. & C. bar.

ot every decision the Setai’s designers made was inspired—many
e quarters in the low-rise have their handsome, sculpted bathtubs
etrically situated right in the room, at the foot of the bed. But in general the upwards
00,000 the hotel says it invested per room looks like, well, a million bucks. The suite I
ied was on the 26th floor of the tower, a privately owned condo enrolled in the Setai’s
l program” at \$3,500 a night. As part of the program, it is in keeping with the hotel’s
: The two-bedroom, two-bath interior is accented with teak, silk and burned granite; the
or, beyond the floor-to-ceiling windows, is a wrap balcony with a panorama stretching
the jade-colored ocean to Biscayne Bay.

ne most dramatic surprise of the Setai, though, is its main restaurant, a grand, if spare,
ceilinged room with tables extending in sushi-bar-style like spokes around an open, cen-
itchen. This kitchen does not, the hotel takes pains to emphasize, serve “fusion” food,
rans-ethnic” cuisine—the staff is imported from China, Thailand and India to fashion
s in the style of their own cultures. A lone Italian, a Roberto Benigni-looking fellow,
up against the stone pizza oven—the aroma of the truffles he lavishes on the pies wafts
ind of earthy base note beneath the light perfume of herbs and curries, lemongrass and
n that pervades the magical place. The sommelier, Alejandro Ortiz, has crafted the soon-
famous wine list with meticulousness and passion. Don’t even think of ordering your
andby here—ask Ortiz and stand by to be astonished.

ke the rest of the Setai, the restaurant has a Brigadoonish character—it is observably vi-
ng at a different frequency than the South Beach neighborhood around it. In a locale that
s to fashion and fabulousness, it is well ahead of the curve; finer, perhaps, than anyone
actually demanded. —RICHARD NALLEY



Unobstructed
vision: the Setai's
high-rise

EYES ONLY

Travel

CALIFORNIA

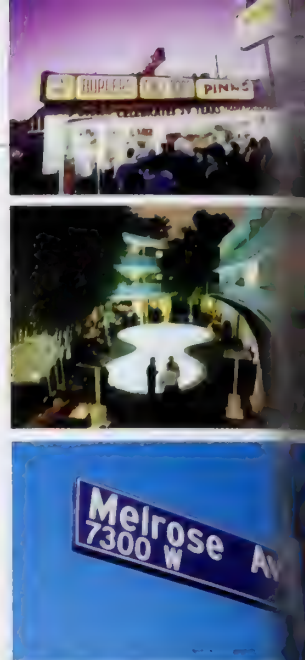
Los Angeles: Los Angeles is the most enigmatic big city in America. The place H.L. Mencken once dubbed "19 suburbs in search of a metropolis" famously has no center, and urban mysteries abound from Silver Lake to Santa Monica. Who, for instance, are all those gorgeous young sophisticates sipping fat-free soy lattes at three on a Wednesday? Does anybody here *not* do Pilates?

And is it really a traffic jam if all the cars are hybrids? One thing nobody questions, however, is L.A.'s dedication to the good life.

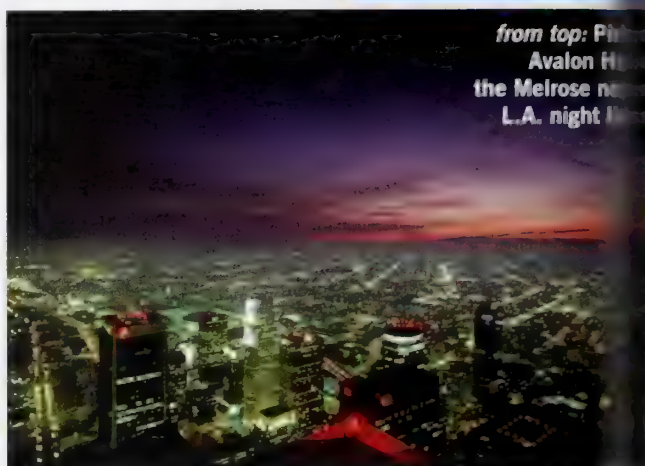
In a city that sprawls, it's reassuring to stay in a hotel that doesn't, like the chic yet cozy **MOAIC** in Beverly Hills, with its full-length body pillows and Bulgari bath products. The nearby **AVALON** has the coolest pool bar in town, though the chaises at the renovated **HOLLYWOOD ROOSEVELT HOTEL** deliver more old-school glam. Closer to the beach, the **VICEROY**, all chromes and creams, is breezy, with A-list celebrities, while the arts and crafts-style **AMBROSE** plays things more Zen.

If time's an issue, **FRED SEGAL** on Melrose Avenue, a store with an internal maze of ultrahip boutiques, solves many shopping riddles. Otherwise, Robertson Boulevard between Third and Beverly is a must, with a wallet-sucking lineup of designer showcases including **LISA KLINE**, **KITSON** and **LES HABITUDES**. Of course, you haven't really "done L.A." unless you've experienced Melrose's haute-funk havens like **MARC JACOBS**, **TRACY FEITH**, **MARNI** and **DVF**. Showbiz industry types, meanwhile, are gravitating west to Montana Avenue, with its string of shabby-chic clothing and accessory stores such as **MADemoiselle PEARL**, owned by Jack's daughter, Jennifer Nicholson.

With more ethnicities, more fresh produce, more cash and more reasons to celebrate than almost anywhere else, L.A.'s food scene is a mix-and-match medley of abundance. The buzz these days is all about younger chefs, like Suzanne Goin, with her small-plate specials at **LUCQUES** and **A.O.C.**, and Ben Ford (Harrison's son), who whips up imaginative comfort food at **CHADWICK** and the casual new **FORD'S FILLING STATION**. Chef Mark Peel has turned Thursdays into fancy-grilled-cheese night at **CAMPANILE**, but you'll need to recover first from gourmet doughnut night on Wednesdays at **GRACE**. The hip and hungry gather for sushi at **GEISHA HOUSE**, while the rest of young



from top: Pink's
Avalon Hotel
the Melrose neighborhood
L.A. night life



Hollywood is heading lately to **IL SOLE** on Sunset for an Italian or **THE LODGE** for an Atkins-friendly porterhouse in Beverly Hills.

Not that slumming it isn't just as tasty. Sang Yoon, chef/owner of **FATHER'S OFFICE**, an earsplitting Santa Monica pub and tapas joint, created the Office Burger, which many say is L.A.'s (and possibly America's) best. Strip-mall Mexican doesn't get better than homey **ALEGRIA** on Sunset (save room for the chimichanga de chocolate—a deep-fried Hershey-bar tortilla sprinkled with powdered sugar). And top chefs line up until 3 a.m. for hot dogs at **PINK'S**.

L.A. practically invented the late-night lounge scene, and you'd need 1,001 nights to sample it all. The Roosevelt Hotel's new **TROPICANA BAR** is a mid-century oasis favored by status-seeking women in \$200 flip-flops. Rocker-investor Tommy Lee has brought an air of leathery good times to **ROKBAR** on Las Palmas, just off Hollywood Boulevard. The Rodeo Drive crowd hangs out on the side at **THE CRESCENT** in Beverly Hills. Westside *bohème* is over bourbon at jazzy Abbot Kinney Boulevard nightspots such as **HAL'S** and **THE OTHERROOM**, where the party swings well, till all those imponderable mysteries about Los Angeles are resolved. —DAVID HOCHMAN

EYES ONLY

The L.A. talent and glamour—fashioning
advertisements for the always
relevant—think up
newspapers, TV shows,
and more. The
Los Angeles Times
is a must-read.

Chopard



Time, incomparably
crafted

L.U.C. Tourbillon. The creation of a tourbillon is still the exclusive domain of very few watch companies. In this extremely select circle, the Chopard Manufacture has broken new ground by creating the variable inertia balance – a world premiere. Visible through an aperture in the dial, the tourbillon carriage is held by a bridge in a rectangular layout. This shape is also depicted on the crown, recalling the historic insignia that adorned the workshop of Louis-Ulysse Chopard, the founder of the brand.

The power reserve indicator displays an autonomy of 9 days, guaranteed by four spring barrels (patented Quattro® technology). The masterpiece of the Chopard collection, the L.U.C. Quattro Tourbillon bears the "Poinçon de Genève" hallmark and is chronometer-certified.

L.U.C

MANUFACTURE DE HAUTE HORLOGERIE
LOUIS-ULYSSE CHOPARD



L.U.C. Quattro Tourbillon: available in two limited, numbered series of 100: 18 ct rose gold (ref. 16/1869) and 950 platinum (ref. 16/91869).

Boutiques: New York • Palm Beach • Bal Harbour Shops • Beverly Hills • South Coast Plaza • Las Vegas • Aspen • Old San Juan
 ALSO AVAILABLE AT: Highly selected Chopard L.U.C. Ambassadors • For more information, please call 800-CHOPARD www.chopard.com

Child's Play

Christian Bailly has built
a \$6-million automaton
called the Bird Trainer.
Now can he find a buyer?

There's a lesson learned in childhood: Dolls can be spooky. Catch one staring at you across a dim bedroom or from a shop window on a street, and try to remind yourself it's only a toy. *That thing grinning at me? Did it just blink?*

When it happens, some of the world's most sought-after valuable dolls *do* blink, not to mention execute and perform music. Automata, or clockwork—self-operating figures, have entertained and served audiences for more than two centuries with uncannily lifelike movements. The first and most complex automata emerged in the royal courts of 18th-century Europe; a few pieces from that era survive in museums. Modern-day automata enthusiasts collect examples from the late 19th century—diminutive magicians, musicians, jugglers and clowns made in greater numbers out of small workshops in the Marais district of Paris. The most unusual among them can change color for more than \$100,000.

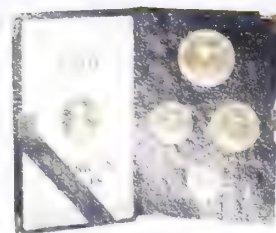
Part of their fascination is that they're unsettling because "people don't know why," says Michael Start of Automata, a seller and refurbisher of antique automata in Moray, Scotland. Start has handled works by the important 19th-century Parisian craftsmen: Jaquet-Droz, Roulet & Decamps, Lambert and others. But among the most impressive examples of the art he's seen is a more recent vintage.

Called the Bird Trainer, a four-foot-tall young man holding a sword, holding a flute and dressed in embroidered Renaissance garb made of silk, satin and velvet. His skin is painted porcelain, his eyes are glass, and when he holds a golden key, he lifts a flute to his lips and



I, ROBOT: The Bird Trainer stands four feet tall and weighs 122 pounds.

GOLD COINS



A NEW LOOK AT THE
VENERABLE COLLECTIBLE

Remember as a child digging through your father's loose change jar in search of that Indian Head Nickel that just might be worth a whole dollar? If you haven't thought about the value of collectible coins since then, it's time you did.

"While everyone understands the need to diversify their investment portfolio," says Jon Rose, president of The Capital Gold Group, "it's surprising how many don't realize that gold should be part of that diversification. Those who back up their portfolios with gold coins are putting a safety net under their investments."

Gold coins not only introduce a new class of asset into your portfolio, but they also have value and, therefore, help protect you from the dollar's declining purchasing power. "The dollar today is worth about 13 cents, compared with 1950," Mr. Rose says. "And the dollar is not good for it regaining purchasing power, as the world's central banks shift holdings from dollars to the stronger euro in response to world events like the Iraq war and the rising federal deficit. Gold is apolitical. It isn't affected by these things that you can't control."

E BASICS

ion coins. These are, perhaps, the most popular way to invest in gold. There are two s: bullion coins (e.g., the American Eagle and the South African Krugerrand) and Proof d, a high-relief coin produced in limited annual quantities by the U.S. Mint and the most ht-after form of gold for use in funding a precious metals Individual Retirement Account). With their authenticity certificate and specially designed Mint box, Proof Gold coins are an excellent gift for any occasion.

ismatic gold coins. Minted before 1933, prior to Franklin Delano Roosevelt's recall of coins to bolster the ailing U.S. banking system, these coins have an intrinsic value in addition e value of the gold itself. Pre-1933 coins, sometimes referred to as semi-numismatics, also privacy because federal law does not require registration of these sales.

coins. Like any antique, these coins will increase in value, particularly if held for a period of "Many of our clients enter the gold market through purchasing traditional bullion coins," ins Mr. Rose, "but before long, they become fascinated and take up serious coin collecting."

Unlike currencies and corporate earnings, gold prices resist the effects of rising oil prices, political unrest and corporate misdeeds.



MAKE YOUR CAPITAL AS SAFE AS GOLD™

currencies and corporate earnings, gold prices resist the effects of rising oil prices, political and corporate misdeeds. Gold's performance tends to move independently of other asset such as equities, adding a safety component to any investment portfolio.

d also has the advantage of being a physical — not paper — asset that is portable and liquid. hough our firm can hold gold coins for clients, we recommend that purchasers take possession," ose says. "For one thing, it's your money. And, if an emergency comes up, you have gold d that can be turned into cash. We suggest keeping your coins in a bank safe deposit box or, s, in a fireproof safe at home."

ou've been worried that the lackluster stock market, declining dollar and continued concerns global security will erode your wealth and jeopardize your financial security, consider adding o your investment mix. Make your capital as safe as gold. ■

ADD GOLD TO YOUR PORTFOLIO

Call 1-800-510-9594, or visit www.safeasgold.com to get your free *Insider's Guide to Owning Gold*, which will show you how to purchase gold at the lowest possible prices and which gold coins will give you bigger returns in the future.

JUST FOR FORBES READERS:

Make a gold purchase and we will add free gold coin to your portfolio. Please mention code FYI121205 when you contact us.



Q
&
A



With Jonathan Rose, President, The Capital Gold Group

Q. What got you interested in gold as an investment?

A. I spent the early part of my career working at the London Metal Exchange trading base metals such as aluminum, copper and tin. As I started learning and reading more about metals of all types, I became intrigued by gold and its history. It's the oldest type of investment. And, the more I learned about gold, the more I realized what a sound way it is to help protect personal wealth. It retains value over time and is not affected by world events the way other investments are. It's a safe haven against inflation, increasing consumer debt and an ever-shrinking dollar.

Q. How easy is it to begin investing in gold?

A. It's quite straightforward. Bullion coins are an excellent way to start because you can begin with a relatively modest purchase plan and build up your holdings. Many investment advisers recommend that individual investors place up to 20% of their portfolio in gold. A reputable, customer-focused gold investment firm will assist investors in determining the best allocation and purchasing plan for their needs.

Q. What prompted you to establish The Capital Gold Group?

A. Traditionally, gold has been marketed as a niche investment. I don't see it that way. I think that gold's safety can benefit any investor. So, my company focuses on educating consumers about gold and helping them find the gold investment opportunity that's right for them. I guess I'm a sort of advocate for gold.

CCGG

THE CAPITAL GOLD GROUP

plays the "Marche des Rois" by Georges Bizet and an older, 18th-century tune. A pair of birds perched on his shoulder and hand twitter and sing. His eyes move, his head nods, the birds open and close their beaks, turn their heads and flap their wings. There is no motorized or electrical power source. Actions are driven by a hidden anatomy of spring-driven cogs and gears, 2,340 mechanical parts all, each one gilt or polished steel. Finished last year in a Swiss workshop by a company called Jacob Frisard (after the 18th-century creator of mechanical singing birds), the Bird Trainer took a group of artisans six years to build, and standing on its pedestal of jade and mother-of-pearl, the completed figure weighs 122 pounds. In motion—his fingers working the flute, his eyes cutting back and forth—the figure is oddly beautiful and a little disquieting. Scarier still is the asking price: \$6.25 million.

"If I knew how much it would cost me to make it, I would not have started," says French-born Christian Bailly, the world's foremost automata expert and as the owner of Jacob Frisard, the Bird Trainer's principal creator. Like a modern-day Geppetto, Bailly has watched his Bird Trainer take on a life of its own, rapidly outrunning its planned budget of \$400,000. To pay for the precious materials used in its construction, and for the dressmakers, sculptors, jewelers, wig-makers, marquetry artists and other specialists, many of whom he paid \$80 to \$200 an hour for months of work, Bailly sold his collection of antique furniture, paintings and more than a hundred 19th-century automata he'd amassed over 40 years. "I sold all of these pieces for my crazy project," he says. Today, the Bird Trainer plus another creation, a jeweled cane with a singing bird hidden inside (asking price: \$463,000), are finished—and Bailly needs buyers. "I didn't have a customer in mind making this," he says. "I'm very naive in this way. And now I have one penny in my pocket."

Christian Bailly taught himself to refurbish the mechanics of automata in the early 1970s when he began taking them apart to discover how they worked. He trolled the Paris flea market for antique silks and laces to mend their costumes, and continues to do repair work for other collectors around the world. In 1987 he published *Automata: The Golden Age, 1848-1914*, a gorgeously illustrated book chronicling the work of the important automata makers from the Marais. The book, brought out by Sotheby's, is still the definitive history on the subject and has drawn new collectors into the market. Debra Natale, for instance, bought her first automaton on eBay for \$8,000 after reading Bailly's book. She went on to collect more pieces (and to become Bailly's girlfriend and assistant), including a



prized organ grinder made by Jean Marie Phalibois, circa 1880. "His face is unbelievable," says Natale. "His mouth moves, his eyelids, his eyes—his skin almost seems to be moving. It's almost an eerie effect because it's so realistic."

Her enthusiasm is shared by fellow automata collectors, a tightly knit, largely male club who speak about their collections like awestruck children. "They're alive!" says Jerry Steinbaum, a real estate investor in Los Angeles who considers his collection, 75 pieces in mint condition, to be the largest in the U.S. "What's fun for me is winding them up and seeing what things they can do with cams and wipers. You're not looking at a doll face. You're looking at a human face. It's a hobby that makes you smile."



Above: the Morris Museum's Clown Illusion
Left: the Lady Magician, top earner from Theriault's sale of Bailly's collection

A few auction houses specialize in antique automata: Christie's holds regular auctions in London, as does the Galerie de Chartres outside Paris. In the U.S., Skinner in Boston and Theriault's in Annapolis, Maryland, have sold many works. It was the latter that auctioned Christian Bailly's collection of automata at a sale in Las Vegas in May 2004.

"It was a monumental sale," says Susan Holbrook, president of Theriault's. A 19-inch Lady Magician, who uncovers the heads of a clown, doll and monkey, was the top table, sold for \$88,000. An acrobat balancing one-handed on a chair sold for \$56,000. A Parisian man who shares a cigarette with his pet poodle (both of them smoke) went for \$45,000.

SOME PEOPLE THINK ALL INSURANCE IS THE SAME.

They buy the least expensive they can find.

And then they have an insurance claim.

That's when they learn — the hard way —
that not all insurance companies treat you the same.

If being treated fairly and paid quickly are important to you
when you or your business has a loss, you want Chubb.

When you insure with Chubb, you're buying *real* insurance.

So, insure with the best. Insure with Chubb.

To learn more, go to chubb.com.

Relax. You're insured with Chubb.SM

< COMMERCIAL INSURANCE < SPECIALTY INSURANCE < PERSONAL INSURANCE



Holbrook has noticed growing attention to automata since the Bailly auction. At press time, Theriault's was readying another major automata sale in Morristown, New Jersey, home to the Morris Museum, exhibitors of one of the most significant automata collections in the world, that of the late Murtoth D. Guinness. Holbrook says that he expects the auction and a behind-the-scenes tour of the museum's holdings to attract top collectors from all over the U.S., Japan, Europe, Australia and South Africa.

Yet even the most committed automata collector would likely balk at the asking price of a modern-day piece like Bailly's Bird Trainer. "I wouldn't want it," says Frank DeMayo, a collector in Fort Wayne, Indiana. "It's more like a piece of jewelry, not like your common automaton. Another thing, it's a reproduction. I don't care for reproductions."

"There's never been anything in our field that's gone for this price," says Holbrook of the Bird Trainer. "The world record for a doll is \$230,000. That's the stratosphere for us. Now you're talking about millions? Bailly would be completely breaking down barriers and opening up a new perspective on what people will pay for these things. It's a courageous step."

Holbrook adds that comparing Bailly's Bird Trainer, or his other creation, the jeweled cane with singing bird, to the automata that regularly come up for auction is a mistake. Nineteenth-century automata, while pricey in their day, were nevertheless produced in runs of dozens or hundreds. "[Bailly's pieces] are different in every way," says Nick Hawkins, of Skinner auction house. "Their level of complexity is much closer to automata from the century before." These include priceless, one-of-a-kind pieces such as 18th-century London jeweler James Cox's Silver Swan (held at the Bowes Museum in Barnard Castle near Durham, England) or lost legends like Jacques de Vaucanson's Duck, which, reportedly, could flap its wings and eat and excrete food—marvels of mechanical

engineering made to entertain Europe's wealthiest elite.

Bailly knows he needs to connect with a similar demographic to sell his Bird Trainer. "Good people you can find," he says, "but to sell this piece you need to find exceptional people."

One difficulty is in exhibition. Bailly has crated and moved the Bird Trainer out of his workshop in Sainte-Croix, Switzerland, only once, presenting it at the

want it, you have to pay that price. Yet a crazy price, but it's a fantasy piece.

"It's a deeply impressive thing," continues. "When I saw it in its sk form I was absolutely blown away. I h seen anything so finely engineered side of a top-end Swiss watch, excep scale was so much bigger. The qual the mechanics was awesome. It wa beautiful. Everything was gilded, wires running in stainless-steel cha

"There's never been anything in our field that's gone for this price," says Holbrook. "The world record for a doll is \$230,000. That's the stratosphere for us. Now you're talking about millions?"

Baselworld watch and jewelry show in May 2005. There, he attracted the attention of Hong Kong luxury goods agency Christie International Group Holdings, Ltd., who arranged to represent the Bird Trainer and the jeweled cane in Asia.

Bailly is keeping his fingers crossed: The president of the agency, Christie Wo, is well-connected to China's newly moneyed class. She has already organized two exhibitions for his jeweled cane (which can more easily be transported to Hong Kong than the Bird Trainer), and has arranged advertising for his work. "Nobody has exhibited automata in China," Bailly says, hoping that someone there might therefore be wowed by the novelty of his works more easily than Western collectors.

"Yes, I think there's a market for it," says Holbrook. "It's a parlor fancy, an ego piece for someone."

"There's a chance," agrees Michael Start. After Bailly exhibited at Basel, Start got calls from jewelry collectors of his acquaintance. "They were asking me about the price and could this possibly be justified for a modern piece." Start told them he believed it was. "I had to say, you can't buy anything else like it, and if you



Beneath its porcelain skin, the Bird Trainer is driven by an anatomy of 2,340 mechanical parts.

encased in the body like human v. Because Bailly is a perfectionist, he h cut any corners, and he's using the f materials and the finest craftsmen. in the tradition of the old makers, 18th-century tradition of wizard cr men, and his ego won't let him s cheap." Start pauses, and says he w him luck. "There's a chance—he h achieved it yet." •

IWC.

Engineered for men.



IWC
SCHAFFHAUSEN
SINCE 1868

He'll have to wait.



Portuguese Chrono-Automatic. Ref. 3714: In 1868, watchmaker F. A. Jones founded the International Watch Company in Schaffhausen. Since then, our engineers have developed many of today's legendary timepieces – the Ingenieur family, the Pilot's Watches, the Da Vinci and the Aquatimer series. It's good to know that our watches aren't just packed with technical advances. But also with the passion of our engineers.

Mechanical chronograph movement | Self-winding | Small seconds hand with stop function (figure) | Anti-reflective sapphire glass | Water-resistant to 30 m | 40.9 mm case diameter | Stainless steel



IWC Schaffhausen, Switzerland, www.iwc.ch

For an authorized retailer nearest you, please call (800) 432-9330, or visit our website

COMO, MAY 19

TWICE AS MANY DOORS AS
ITS COMPETITORS.



INTRODUCING THE QUATTROPORTE

Created for those not ordinarily fond of sedans, it combines a potent 400hp V8, racing-inspired front-mid-engine design and an F1-inspired 6-speed transmission to achieve a top speed of over 170 mph—leading AUTOMOBILE Magazine* to label it “a four-door thoroughbred sports car.” Featuring a comprehensive ownership program including a 4-year/50k-mile bumper-to-bumper limited warranty and 24hr roadside assistance. 877.MY.MASERATI maseratiamerica.com/fby



MASERA

Caviar 101

New York's Petrossian puts it all on the table.

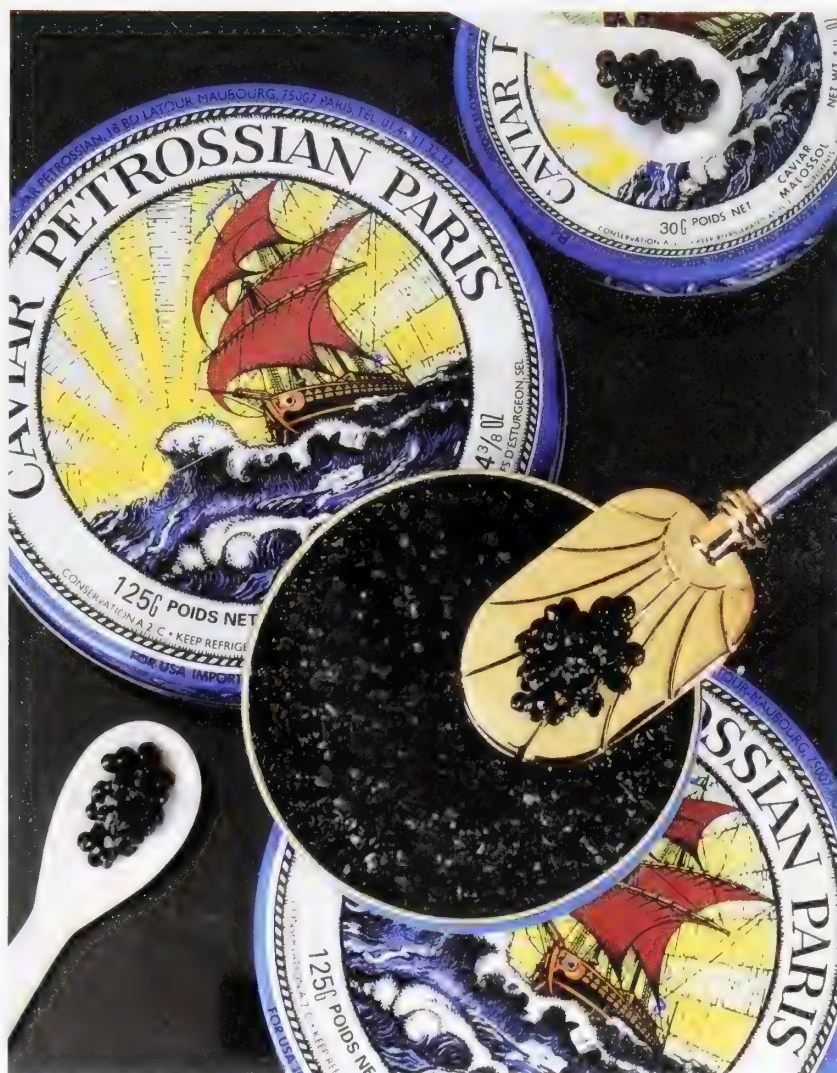
is not an easy job, laboring in the trenches of lifestyle journalism, but when we saw the ad in the *New York Times* for Petrossian's "Caviar Workshop," our duty was clear. Our professor at the Russian restaurant in New York City was Eve, executive director and resident caviar expert. She's since passed away. But a life devoted to eating and buying caviar—on one occasion, Ms. Vega placed an order for 17 tons of it—is surely spent amidst heaven on earth.

Ms. Vega was passionate, even a bit stern, in her encyclopedic knowledge. "No!" she said at one point, wagging her finger at one of her students, with a sardonic smile on her dark features. "That's not the question I *wanted* you to ask!" We cowered, leaning meekly upon our tasting portions of American Transmontanus caviar, osetra and Tsar beluga, flutes of Ciroc rosé and brut Champagne and gold-plated spoons. Despite our shortcomings as students, it was the most pleasant seminar we'd ever taken.

Along with some crib notes with which to bluff your way through the holiday season, including a list of (toast) points and pointers from recommended further reading: Inga Saffron's superb *Caviar: The Strange History and Uncertain Future of the World's Most Coveted Delicacy* (Dutton Books, New York).

The whole purpose of this tasting," Eve told us, "is to show that you don't have to spend a lot of money." Well, *relatively* true. Caviar ain't cheap. But not a one of us picked imported beluga, recently banned by the U.S. Fish & Wildlife

Service because the Caspian sturgeon stocks are crashing. Beluga was our favorite. The overwhelming consensus was in favor of the Transmontanus-farmed caviar. It comes from the American sturgeon (who knew?) white sturgeon. Delicious, nutty and firm. And made in the good old U.S.A. Available from



The lovin' spoonful: class materials for Petrossian's caviar workshop

www.petrossian.com or from www.sterlingcaviar.com. About \$50-\$60 per ounce.

➤ One good thing the Commies did was regulate the caviar industry: Poachers were shot or sent to Siberia. Now the black market rules, and Caspian sturgeon may well, in our lifetime, become extinct.

➤ The one good thing about Iran's theocratic, nuke-seeking dictatorship is that it regulates its caviar production. Iran is now the world's leading producer and the most environmentally conscious. To encourage consumption at home, the late, ungreat Ayatollah Khomeini convened a committee of mullahs to determine that sturgeon actually had the scales to qualify as halal (clean) under Muslim dietary law.

➤ "The sturgeon must die *peacefully*," Eve said. "If she feels threatened, she secretes a sour chemical that will ruin the roe." One of us asked how it's done, exactly. Answer: "With a hammer, to the back of the head."

➤ Historically, not everyone has been a fan. Writes Saffron: "Offered a taste by an emissary of Peter the Great, [Louis XV] was

so repulsed that he spat the contents on the elegant carpet of the Versailles palace...."

➤ Years required for various sturgeons to mature and produce the following varieties of caviar: sevruga, 7 years; osetra, 14 years; beluga, 20 years. The sevruga we tasted, typically the least expensive of the three, was rated "lovely" and came from Kazakhstan.

➤ The prosperous 1990s, with the widespread introduction of overnight delivery, made caviar so available that U.S. imports increased threefold, encouraging the Russian black market and hastening the collapse of the sturgeon population.

➤ Petrossian "matures" its caviar. At any given time, it may have as much as seven tons maturing in its warehouse. It is stored at 27 degrees and will not freeze because of its high oil content. Once it is repacked for retail, it has a shelf life of six weeks.

➤ Caviar is not fattening. (Unless you eat all seven tons.) A one-ounce portion contains about 70 calories.

➤ "Caviar was not only an increasingly desirable delicacy in the 19th century,"

writes Saffron. "It was reputed to have sexual desire. The roe 'excited the bl... a health manual from 1808 decl... While that claim has never been pro... it is known that the eggs slow the absorption of alcohol, allowing revelers to... more vodka or Champagne with... caviar, and perhaps eliminating the... bitions that might otherwise get in... way of romance."

➤ The best way to eat caviar is with all the extras: lemon juice, chopped onion, hard-boiled eggs, and the rest. These mask the taste, and that, really, is what you're paying for. But by all means slather the butter and sour cream on the blini toast. And if there's any left over the morning after, put it on a softly cooked onion. Which, come to think of it, is a perfect excuse for having a glass of Champagne.

Well, it's the holidays, right? •

Petrossian offers private caviar workshops in New York City hosted by managing director Dimitri Bourrigaut. Call (212) 765-4... for reservations.

INTERNATIONAL & ASIAN FINE ARTS AUCTION

Sunday December 11, 2005



Our International & Asian Fine Arts Auction Features an important East Asian Estate with Ming & Qing porcelains, many Imperial quality and Mark and of the Period; together with Bronzes, Jades, Paintings and Furnishings of commensurate value. An Important Estate Collection of Antiquity Chinese Snuff Bottles. Fine Diamond and Colored Stone Jewelry from several collections.

NATURAL HISTORY GEMS & MINERALS AUCTION

Sunday December 18, 2005

Our Natural History Auction includes unusual museum quality specimens from around the World. Featuring a complete Dinosaur Skeleton from the Cretaceous Period along with an extremely rare Dinosaur Egg with an exposed unborn Raptor! Other highlights include a large Sabre-Toothed Cat Skull, Woolly Mammoth Tusks, Meteorites, a 7 foot Narwhale Tusk, Rare Minerals, Exotic Gemstones & unique Gemstone Jewelry.



I. M. CHAIT
GALLERY/AUCTIONEERS

T/ 310.285.0182 F/ 310.285.9740
FULL COLOR CATALOG \$35 EACH PLUS POSTAGE
BID LIVE ONLINE • WWW.CHAIT.COM
9330 CIVIC CENTER DR., BEVERLY HILLS, CA 90210

Palm Beach, Florida



OF DIRECT OCEAN AND 350' OF LAKE
 nal architect: Maurice Fatio; true
 terranean design.



GORGEOUS BRITISH COLONIAL
 Ocean-to-lake home with tennis court, huge pool,
 fitness center, movie theater and much, much more.



MANOIR – ONE OF A KIND
 ously reconstructed home designed after a hilltop
 n St. Tropez, France. Gardens by Mario Nievera.



LUXURY LAKEFRONT BUILDING
 Stunning and spacious 3 bedroom, 3.5 bath
 apartment in luxury building with 10.5' ceilings.



LINDA A. GARY
 REAL ESTATE, INC.

Licensed Real Estate Broker

420 So. County Rd. Palm Beach, FL 33480

www.lindaagaryrealestate.com • E-mail: lagre205@aol.com

Telephone: 561-655-6881 • Fax: 561-655-2884

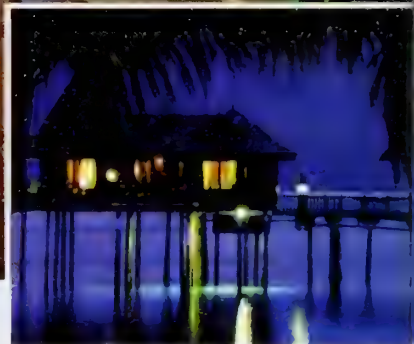
dream destinations

SINGAPORE & MALAYSIA



Sweeping view and clean beach at the door of a luxurious suite at Four Seasons Resort Langkawi

Luxury suites on stilts at Pangkor Laut Resort



From the magnificent rainforests rising along the spine of the Malay Peninsula and cascading down to coastal plains and seemingly endless sandy white beaches and beyond to luxurious island resorts, Malaysia is a treasure trove of new experiences for travelers. It is also one of the most hassle-free destinations in Southeast Asia.

Malaysia is a land of wonderful diversity: the rich Malay, Chinese and Indian heritages offer an enthralling tapestry of cultural events and festivals, as well as an astounding variety of culinary delights; history abounds among the buildings of past colonial rulers in Malacca and the relics of ancient civilizations in the Bujang Valley; rare fauna, including the Sumatran rhinoceros and orangutans, survive in national parks; and among the extraordinary flora in the lush forests is the rafflesia, the world's largest flower.

There is much to see in Malaysia, but many visitors choose the peace of a tropical island as their vacation tonic. Two

favorites are Langkawi and Pangkor Laut.

Langkawi comprises 99 islands — and another five at low tide. The largest is Pulau Langkawi, which is almost the size of Singapore. Except for the limestone hills and lush jungles of the interior, the island presents a mainly rural landscape dotted with villages and padi fields. It is fringed by white sandy beaches and boasts a variety of luxury resorts. Accommodation ranges from the most luxurious to an upgraded version of a "sea village" where traditional Malay-style suites on stilts stretch into the water.

Several resorts incorporate a spa complex where an invigorating marine salt exfoliation or a soothing milk bath is an ideal finale to a day spent exploring the rainforests or the coral reefs of nearby Pulau Payar Marine Park.

Langkawi is an island of legends, including the tale of Mahsuri, a Malaysian princess whose mausoleum is an interesting attraction. The seven beautiful waterfalls of Telaga Tujuh are said to have been the playground of fairies but today provide a

good picnic spot. For pleasure of any type, the adventurous may choose canyoning, which involves rappelling among the branches inhabited by hornbills and other fauna.

Pangkor Laut, also on the West Coast of Malaysia, is privately owned and accessible only to guests of the resort. Only a fraction of its 121 hectares has been developed, and much of the island is covered in unspoiled 2-million-year-old rainforest. Accommodation is offered in the resort at an estate in a nearby secluded cove.

Pangkor Laut itself is a respite from the outer world, and the tranquility is commented by a luxurious Spa Village that applies the centuries-old healing techniques of the region. There are eight pavilions spread across 1.6 hectares where Malay, Chinese, Indian and Thai treatments are offered.

Whether you seek the luxury of an island resort, excellent shopping, exotic fauna, a game of golf on a world-class course, Malaysia is a value vacation choice.

SENTOSA COVE

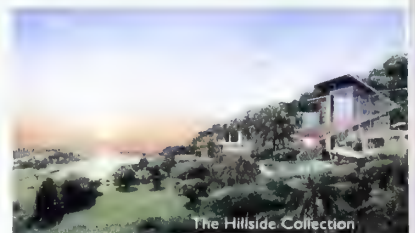
S I N G A P O R E

A spectacular lifestyle of unrivalled luxury awaits you

Visual representation only

...e, an open canvass where you can design and build your dream home is now
...ger a dream, but a reality. Own an exquisite bungalow land parcel by the
...ay or hillside at Sentosa Cove, the remarkable centerpiece of Singapore's billion-
...plan to develop one of the world's most exclusive integrated marina residential
...nities. Come, indulge in paradise and turn that dream home into a reality.

...not eligible to just buy



The Hillside Collection

The sparkling Singapore skyline



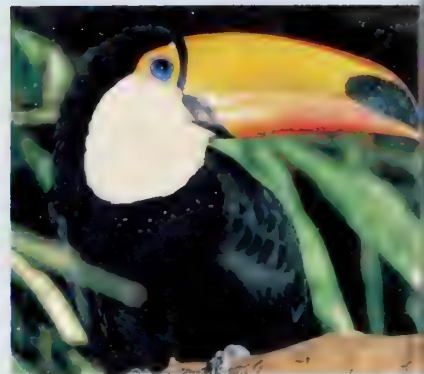
Surprising Singapore

As deals go, Sir Thomas Stamford Raffles' handshake with a hastily installed sultan in 1819 stands among the most audacious, visionary and successful. Raffles paid a modest annual retainer to the sultan and another regional chief in return for a tiger-infested island jungle that gave Britain a strategic post against the Dutch and control of the vital Malacca Strait. Today, the only tigers resident in Singapore are at the world-acclaimed zoo, and the island is an exciting marriage of cultures where centuries-old tradition blends delightfully with modern sophistication.

Singapore is one of the world's most prosperous nations with strong international trading links. But beyond the commercial facade is a country that offers many surprises to leisure travelers. The city is punctuated by parks and gardens ablaze with the colors of orchids and other tropical flowers; museums are home to impressive regional and international collections, and the "open-concept museum" takes the art of local sculptors to the bank of Singapore River; and the performing arts program ranges from traditional Chinese opera to Broadway productions. Overall, it is a welcoming destination that is safe, clean and easy to explore.



Up close at Underwater World



Bright-eyed and beautiful at Jurong Bird Park

ANIMAL HEAVEN

Singapore is often viewed as the quintessential international networking opportunity, the prospect for new introductions extends beyond the human variety. Visitors could, for example, begin the day with breakfast with an orangutan and then get up close and cuddly with a serval cat before lunch.

Client interaction is a major priority at Singapore Zoo, which has developed an open display concept for the benefit of both animals and viewers. In addition to the Asian animals you would expect, the collection includes an excellent African section with crowd-pleasing polar bears. There is a serious side to the zoo's business too, and it is an important link in global fauna research.

The separate Night Safari is a journey into the nocturnal world of more than 900 animals from the plains and jungles of Africa, South America and Asia. Visitors tour the zoo on tram or follow a designated walking trail.

Nearby, everything is all aflutter at Jurong Bird Park, where more than 600 species are displayed. This is the largest bird park in Asia and its highlights include a simulated Antarctic sea and icescape inhabited by regal penguins and the huge Waterfall Aviary, which is home to more than 1,500 African birds.

The Butterfly Park and Insect Kingdom on Sentosa features flying creatures of all gentler type. While most will enjoy watching the dazzling colors of thousands of fluttering wings, more adventurous visitors can learn how to handle giant scorpions.

Another Sentosa attraction is Underwater World, where visitors are conveyed through an 80-meter tunnel for an up-close look at a variety of fish. Underwater World is also involved with international conservation projects, and sharks, rays and seahorses regularly breed at the site.

Images courtesy of the Singapore Tourism Board

TRULY CHALLENGING



TRULY ASIA

In the heart of Asia lies a land of many cultures, wonders and attractions. As well as more than 200 of the most scenic, yet most demanding golf courses, ingeniously created by world-renowned designers. In amazing locations by tropical beaches, dramatic cliffs and lofty mountaintops. Where is this land that's truly a golfing paradise? It can only be Malaysia, Truly Asia.

Malaysia
Truly Asia

NEW YORK: 120 East 56th Street, Suite 810, New York, NY 10022, United States of America. Toll Free: 1-800 558 6787 Tel: +1-212-754 1113
Fax: +1-212-754 1116 E-mail: mtpb@aol.com LOS ANGELES: 818 West Seventh Street, Suite 970, Los Angeles, CA 90017, United States of America
Toll Free: 1-800 336 6842 Tel: +1-213-689 9702 Fax: +1-213-689 1530 VANCOUVER: 1590-1111, West Georgia Street, Vancouver, British Columbia,
Canada V6E 4M3, Toll Free: 1-888 689 6872 Tel: +604-689 8899 Fax: +604-689 8804 Website: www.malaysiatourism.ca
KUALA LUMPUR (Head Office): 17th Floor, Menara Dato' Onn, Putra World Trade Centre, 45 Jalan Tun Ismail, 50480 Kuala Lumpur, Malaysia
Tel: +603-2615 8188 Fax: +603-2693 5884 Website: www.tourismmalaysia.gov.my



Sentosa Golf Club

RESORT LIFE

Even before Sentosa captured the world's imagination by announcing its multibillion-dollar integrated resort development, the island was a favorite spot for many visitors to Singapore. Sentosa already is a themed attraction, tropical resort, nature park and heritage center all rolled into one.

Originally a fishing village and then a military base, Sentosa was the last bastion of the British forces during the Japanese invasion of Singapore. The island was transformed in 1972 and now features popular beaches, two challenging international-standard golf courses, nature parks and an exciting nightlife.

Just getting to Sentosa is a thrill. Visitors can walk, drive or travel by bus, but many choose to make the journey by cable car for the most spectacular views in Singapore.

FLAVORS OF SINGAPORE

Singapore is perhaps the most multicultural city in Asia, and nowhere is this more evident than in the flavors of the thousands of restaurants, cafes and food stalls.

The local cuisine is basically Chinese, Malay, Indian and Peranakan, but add to that Thai and Japanese and the finest dishes from France and Italy and the quality offerings are vast. Often, the style of one ethnic kitchen will influence the dishes of another in innovative twists to the East-meets-West approach.

Singapore is often remembered, however, for the basic fare proffered by outdoor hawkers. The 12 hawker centers are strictly controlled and serve a variety of seafood, satays and meats in hygienic and functional environments.

Singapore has several signature creations but the unofficial national dish is chili crab. The sweet, juicy mud crabs make a delightful meal that is best tackled with the fingers and a couple of Chinese buns to mop up the delicious gravy.

The diversity of Singapore's culinary establishments will satisfy any palate and ranges from basic family fare to high cuisine.



Raffles Hotel retains a colonial cl

GRAND CHARM

Singapore offers a good selection of five-star accommodations, but the nation's emblematic hotel is Raffles. Whether it is the turbaned doorman, a delightful Singapore Sling cocktail or the majestic colonial facade, Raffles Hotel is impressed in the memory of most visitors to the country. It truly is a grand hotel with its wonderful century-old heritage, yet it features sophisticated, modern in-suite facilities.

Opened in 1887, the hotel was named after Sir Stamford Raffles, founder of modern Singapore. Within a year, authors Joseph Conrad and Rudyard Kipling had stayed at Raffles Hotel and started a continuing procession of celebrities, writers and royalty as guests. One hundred years later Raffles

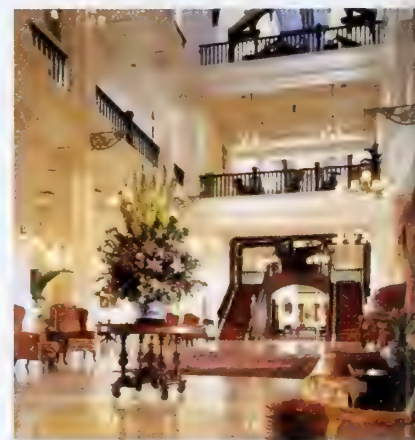
Hotel was declared a national monument.

In August 1902, the last tiger to be killed in Singapore was pursued at Raffles Hotel and was finally shot while cowering under the Bar & Billiard Room, then an elevator building. At about that period another room, the Long Bar, became even more famous when a barman mixed gin, cherry brandy and other ingredients to create a drink for world leaders. Today, men and women order the refreshing Singapore Sling cocktail with equal enthusiasm.

Another Raffles Hotel institution is the Tiffin Room, which dates back to the early 1880s. Originally serving a light midday meal, the Tiffin Room now offers a buffet of North Indian fare for lunch and dinner.



Tasty hawker fare



Inside the elegant Raffles Hotel

dream destinations

SINGAPORE & MALAYSIA

SINGAPORE

CLIMATE

Tropical. Warm and humid all year, with only slight variation between 21°C and 23°C. Rains throughout the year, more consistently during the monsoon season from September to January.

LAND AREA

719 sq. km. Slightly more than 3.5 times the size of Washington, DC)

POPULATION

3.5 million. Chinese 76.8%, Malay 13.9%

MAIN LANGUAGES

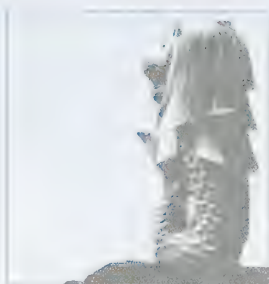
Chinese, English

GETTING THERE

Direct flights from New York and Los Angeles; direct from San Francisco and Vancouver

WHAT TO SEE AND DO

Museums; sculptures and public art; Singapore Zoo; Night Safari; Jurong Bird Park, Underwater World (Sentosa); Butterfly Park and Insect Kingdom (Sentosa); Singapore Science Center; Second World War sites; golf at Sentosa



MALAYSIA

CLIMATE

Tropical. Uniform temperature throughout the year, ranging from 32°C during the day to 21°C at night. Slightly cooler in the hill country. Rainfall is common all year.

LAND AREA

328,550 sq. km. (slightly larger than New Mexico)

POPULATION

25 million. Malay 57%, Chinese 23.7%

MAIN LANGUAGES

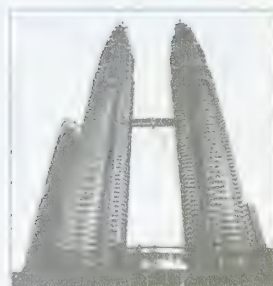
Bahasa Melayu (official language), English (widely spoken)

GETTING THERE

Indirect flights from New York and Los Angeles

WHAT TO SEE AND DO

Island resorts; golf; Semenggoh Rehabilitation Centre for orangutans in Sarawak; biking and mountain climbing; snorkeling or diving in 11 marine parks; Mulu National Park's limestone caves in Sarawak; Snake Temple in Penang; Orang Asli (Aborigine) settlement at Taman Negara; historic Malacca; Petronas Twin Tower

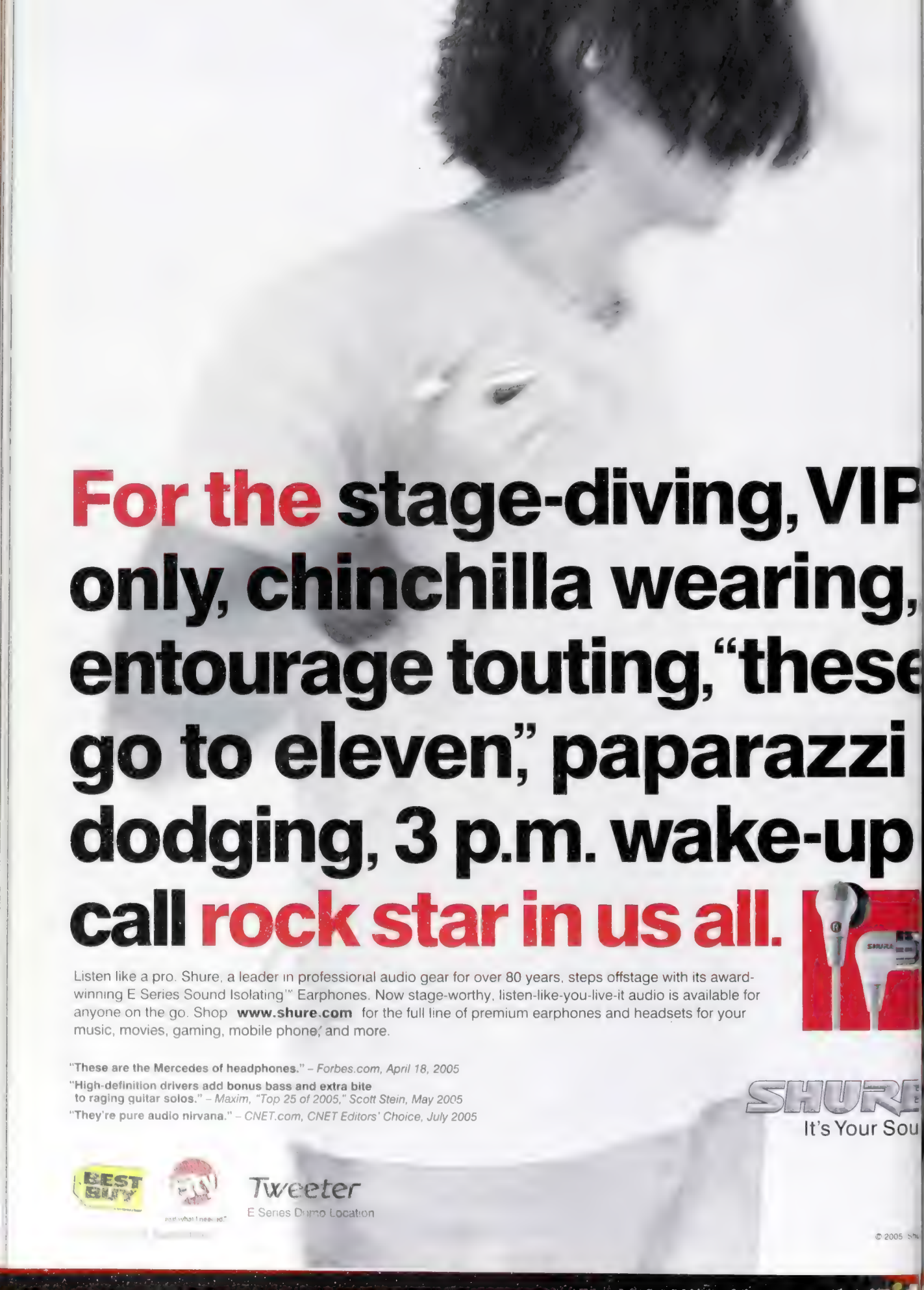


WHILE AT RAFFLES, WHY NOT VISIT SINGAPORE?

Wolfgang Bauer

The resident, as we say, is always right. And how is it so many authors, actors and diverse luminaries came to hold a similar view? One might attribute it to the Sarkies Brothers' steadfast commitment to making residents feel at home. History has it they spared no expense to coddle their charges. Residents have had at their disposal luxuries as varied as a post office, a theatre, and for one particular gentleman, a dark room. Eleven years and three centuries later, the discerning traveller will find it just as true. Which is why residents today continue to struggle for a reason to step outside. Add your own history to the legend that is Raffles. You may discover an experience not easy to leave behind.





**For the stage-diving, VIP
only, chinchilla wearing,
entourage touting, "these
go to eleven," paparazzi
dodging, 3 p.m. wake-up
call rock star in us all.**

Listen like a pro. Shure, a leader in professional audio gear for over 80 years, steps offstage with its award-winning E Series Sound Isolating™ Earphones. Now stage-worthy, listen-like-you-live-it audio is available for anyone on the go. Shop www.shure.com for the full line of premium earphones and headsets for your music, movies, gaming, mobile phone, and more.



"These are the Mercedes of headphones." – *Forbes.com*, April 18, 2005

"High-definition drivers add bonus bass and extra bite to raging guitar solos." – *Maxim*, "Top 25 of 2005," Scott Stein, May 2005

"They're pure audio nirvana." – *CNET.com*, CNET Editors' Choice, July 2005

SHURE
It's Your Sound



Tweeter
E Series Demo Location

New Machines

The Xbox 360 is the most powerful video-game console yet. But how does it compare with the mightiest PCs?

Once upon a time, video-game consoles were the fun-loving, slow-witted step-siblings of desktop PCs. They excelled at certain types of games, such as *Super Mario Brothers* and arcade-style sports and driving simulations. What they lacked in processing power they made up for with user friendliness, or what industry types call “seamless interaction.” All you had to do was plug them into the living room set, throw in a cartridge and they just worked. Of course, if a player wanted something more immersive or graphically complex, like a first-person shooter or a real-time strategy game, he’d have to go with a PC’s faster processor and higher-resolution screen.

As of this month, however, that rule no longer strictly applies. The introduction of Microsoft’s **Xbox 360** (to be followed in 2006 by next-generation versions of Sony’s PlayStation and Nintendo’s Gamecube) has dramatically closed the power gap. With its three 3.2-GHz processors and its ATI graphics card, the 360 packs more oomph than most desktop computers. And the new crop of games designed for it encompass all the genres once dominated by the PC market. There are first-person shooters, massively multiplayer role-



Clockwise from left: Alienware's ALX, Microsoft's Xbox 360 and Voodoo's ARIA media center.

playing games, as well as juiced-up versions of the usual driving and sports games. To the untrained eye, the graphics are hard to distinguish from those on a high-end PC.

"No one is looking at the consoles as underpowered anymore," says Michael Gartenberg, a VP at Jupiter Research, the Internet and consumer technology trend forecasting firm. "We're getting things like photorealistic game play and high-definition and surround-sound support. And while people may have a 20-inch monitor connected to their PC," he continues, "it doesn't compare with a 42- or 60-inch high-definition television paired with an Xbox 360."

It kind of makes you wonder: Why bother spending \$4,000 or more for a top-of-the-line gaming computer when the Xbox 360 costs \$400? Heck, you'll have \$3,600 left over for that plasma TV. The PC people must be shaking in their boots.

"Not at all," says Rahul Sood, president and chief technology officer of luxury PC maker Voodoo. "If anything, I'm excited."

Brian Joyce, marketing director of a competing company called Alienware, is equally sanguine. "Every time the next generation of console comes out, this question arises. And then a year later the PCs are 180 percent faster. With personal computers, the technology curve is basically a ramp, whereas consoles, because of their nature, are more of a stairway. There will always be periods where one is ahead of the other."

The whole philosophy behind the gaming-PC business is to build computers that push the latest hardware to its graphics-rendering limits. These machines are like America's Cup yachts: If they're not on the verge of breaking, they're not going fast enough.

Most of them tend to be custom jobs. Doing business with Voodoo or Alienware begins with a phone consultation: You tell them what kinds of games you want to play and how much money you're willing to spend, and they'll walk you through the hardware options. Voodoo offers machines with not one but two

video cards; the combination is four times faster than the one in the Xbox. Alienware employs the latest Intel and AMD processors and graphics cards from NVIDIA and ATI. Once your choices are tied off, the sales rep will politely inquire, "How much do you want to overclock?" In English, that means, "How much voltage do you dare to run through your machine's microprocessor before turning it into a silicon frittata?"

Overclocking wouldn't be possible without ingenious cooling systems. Alienware has gold-plated copper tubes filled with a liquid similar to antifreeze snaking through the guts of its ALX units. Voodoo's ARIA media center controls heat by producing less of it, employing a super-low-voltage processor originally designed for laptops.

Of course, PCs can do much more than consoles. In addition to its ability to play, say, *Age of Empires III* at 100 frames per second, the ARIA is a full-blown entertainment server. With Microsoft's Media Center application, it can simultane-



Veri exciting.



Veri close.



Veri proud.

and two high-definition TV programs archive" hundreds of DVDs on its hard drive, which can be as large as 1 terabyte (1,000 gigabytes). The ARIA can even connect to the Xbox 360. Microsoft cleverly designed the new console to act as an "entertainment PC" to any entertainment PC, ushering in a new era of entertainment. Pictures, music or movies from the drive in the home office to the speak-er in the living room.

Which brings us to the closest possible comparison to this console vs. PC conundrum. Though some gamers will choose one or the other, most will simply buy both. "Gamers like to play games," says Joyce. "Whether they want to immerse themselves in a World War II combat simulation or a championship soccer game, they'll go to whatever platform is going to give them the best experience." Same as it ever was. •

Microsoft Xbox 360, \$400, www.xbox360.com;
 ARIA Media PC, \$3,600 - \$12,000,
 depending on components, www.voodooopc.com;
 Alienware ALX, \$5,135, www.alienware.com.

YOU'LL NEED ONE OF THESE AS WELL

PANASONIC

> The Xbox 360 can be plugged into any TV, including one as imposing as Panasonic's 50-inch plasma. Viewable from multiple angles, whether head on or up from the floor, the high-definition TH-50PX50U has the qualities required to show off the console's full potential, including vibrant color, a high contrast ratio and an "electron refresh rate" fast enough to handle the most blistering animation. \$4,000. www.panasonic.com.



SAMSUNG

> When judging an LCD monitor's potential for PC gaming, the key spec to look for is "response rate," or the amount of time it takes the screen to go from total black to total white to black again. This determines how smoothly it will display the output from a powerful video card. Samsung's 19-inch SyncMaster 940BF clocks in at four milliseconds, among the fastest in the industry. \$500. www.samsung.com.



Everio

Everio's Next Camcorder



Introducing the world's first hard-drive camcorder.

The Everio hard-drive camcorder can record over 10 hours of DVD-quality video with no need for tapes or disks. With its built-in 30GB hard drive, you can capture every birthday, first step or home run in one hand. It goes beyond anything you've ever imagined. Veri impressive.*

*Amount of recording time varies by model. © 2006 JVC. All rights reserved. JVC is a registered trademark of JVC Inc. in the U.S. and other countries.


JVC

The Perfect Experience
www.jvc.com



HIGH PERFORMANCE GERMAN MOTORS ARE
IMPRESSIVE ON THE OPEN ROAD - AND NOW
IN THE BOARDROOM AS WELL.



The *Panomatic Lunar*
Recommended retail price: \$14,700

Glashütte
ORIGINAL

HANDMADE IN GERMANY

The Glashütte *Panomatic Lunar* with moon-phase and panorama date lets men reach for the stars. The automatic winding
reference 90 has the finest mechanics and is hand-finished in Glashütte Original's traditional watch
language. Available in solid-rose gold or stainless-steel casing, as well as a limited platinum edition.



LUSSORI
ELEGANT. AUTHORIZED. LUXURY

FORMERLY LUSORIO

1-866-203-8699

WWW.LUSSORI.COM

1-866-203-8699

Bowing to Tradition

The rules of formal dress are written in black and white.

es, there are still occasions that beg respect for an older sartorial code. Before real snow falls, the holiday season arrives with a flurry of invitations using the phrases “black tie” (meaning a dinner jacket, tuxedo) and “white tie” (also known as “full evening dress”). Anyone who’s watched Hollywood stars slouch on the red carpet in mismatched formalwear knows standards are far from strict these days; but the fact remains that a man can look smashing if he wears the right kit to a big event.

If you’re invited to black-tie parties with any frequency, you should own, rather than rent, your formal clothes. Ditto if you require a tuxedo, meaning you’re likely to attend balls, diplomatic receptions and the like (or have multiple daughters of marrying age). We trust you, or your tailor, to find the right suit. However, the one item that defines both ensembles—the bow tie—is something that even well-dressed men can fumble.

Here are three simple rules. First, your tie should be a well-proportioned butterfly bow (which was given its name in 1904 following the wild success of Puccini’s opera *Madam Butterfly*). Second, abstain from tricky color patterns: Black silk satin or grosgrain to match your tuxedo facings (or white cotton piqué to match the vest and shirt with tails) is best. Finally, steer clear of pre-tied or machine-made models: Nothing’s more elegant than having a tailor cut to your neck size, leaving you (or someone who can) to tie it with a personal flourish. •



...e-to-order ties in black silk satin, black silk grosgrain or white cotton piqué, \$95 each, at Robert Talbott. (800) 877-8778, www.roberttalbott.com.

“I want to play golf.
Every day.”



What do you want? *The Power of the Pyramid*™ can help get you there.

Your idea of retirement may not look like anyone else's. And because one size doesn't fit all, Transamerica offers custom insurance, investment, and retirement solutions designed with one thing in mind—helping you get what you want. Even a lower handicap.

Contact your financial professional, or
Call 1-800-PYRAMID
www.transamerica.com



TRANSAMERICA
The Power of the Pyramid

In New York, insurance products underwritten by Transamerica Financial Life Insurance Company, Purchase, NY. Insurance products underwritten by Transamerica Accident & Life Insurance Company, 100 West Street, New York, NY. Not available in all states.

Member of the AEGON Group

Golf Gimmes

...or a few cool items we'd like to see under the tree

The best wood in most
golfers' bags is the pencil."
—Anonymous

COMPETITION FOR GOLFERS' money, a.k.a. disposable income, has been fueled by technological advances in the industry that promise to make heroes of amateurs. There are products from your cap to your cleats, from your grip to your head.

Admittedly, the ingenuity revolution has turned a golf-shop visit into a remedial science class. Terms such as "the coefficient of inertia" and "the coefficient of restitution" trip off the tongues of sales guys who in the prime of their school careers probably noogied their academic rivals. They hold court on the relative advantages of steel and titanium, copper and carbon. Happily, there is a method to the madness, and here, in time for the holiday-buying season, is *FYI's* primer on drivers, hybrids and a few other fun items for 2006.



Pick a driver, any driver.
Clockwise from top:
Redline RPM 460 Dual
by Adams; Nike's SasQuatch
460; MacGregor's
MACTEC NVG2; and the r7
Quad by TaylorMade

Let's tee it up with the driver. Golf club designers have put considerable energy into engineering new drivers that marry power and control. They agree on certain principles for all clubs and players. Bigger clubheads, for example, are better. So are lighter-weight, stable shafts. They've moved the center of gravity down and back to get a

seemingly antithetical attributes: power and forgiveness.

"They are all trying to get to the same place," says Mitchell Stead, an assistant sales manager at the Devon, Pennsylvania, branch of **Golf Galaxy**, a nationwide retail chain. "They're just doing it in different ways."

In the class of '06, a few designers'

which moves the center of gravity to the back of the head and reduces twisting on off-center hits (in other words, it has a higher "moment of inertia"). **MacGregor** improved its **MACTEC NVG** with the **NVG2**, which will arrive in stores this January. Whereas other drivers use a metal insert on the face, the NVG2's entire face has no welding and is covered by an ultra-thin beta titanium. As with Nike's **SC**, the NVG2 is meant to increase the moment of inertia.

MacGregor is also unique for having codesigned its own shaft with **Fuji** for the **Quadra Action**, which Stead, the Galaxy expert, likens to a catapult. "The shaft adds two to three miles per hour to your swing speed," he says. Swing speed correlates to distance: Faster equals farther.

Adjustable-weight drivers, which use screws that can be moved to change the flight of a ball, have earned a lot of perfection. It's a concept that has come and gone and come back again; the difference now is that two fabricators, **TaylorMade** and **Adams Golf**, have nailed it. TaylorMade's **r7 Quad**, a powerful 400cc titanium metal that has been popular since its release in June 2004, will be superseded by a new driver in 2006, though the company had not released its name or specs at this writing. Adams Golf, which has made its mark for **Tight Lies**, the fairway metal, has stood out for its formidably light **Redline RPM 460 Dual**. The RPM provides 14 grams of weight to move around, so the club can be highly customized, adjusting to, say, a low-draw, a fade or neutral shot. Enthusiasts hail it as being "three drivers in one."

As a practical matter, few players reset their weight adjustments after the first time, which may be why **Cleveland Callaway** and **Cobra** are presetting their clubs for fade, neutral or draw, and for



Pretty pair: the Tour 360 by Adidas

more effective launch, and they've enlarged the sweet spot—what mavens call the "zone of efficiency"—to get you deep down the fairway even when you strike the ball on the hozzle. And they've done it within the constraints of USGA rules that aim to improve the game's pleasure while not letting technology trump skill.

In golf, as in life, everyone is after

In golf, as in life, everyone is after seemingly antithetical attributes: power and forgiveness.

approaches stand out for innovation. **Nike Golf's** latest offering is the **Nike SasQuatch 460** driver, a maxed-out 460cc head with a compressed titanium face called NexTi, a proprietary material that's thinner and stronger than conventional titanium. The SQ's innovation is its geometric design,

different launch and spin rates. Cobra's **Speed** series comes in three levels: "X" ("extreme") for advanced players, "F" ("fairway") for average players and "M" ("mode") for players with slower swings.

And that, indeed, raises an important point about drivers and a lot of

Put a little paradise
in your evening.



— Macadamia Nut-Crusted Mahi Mahi

“Creative seafood dishes at
this fish lover’s paradise
...the food explodes with
tantalizing flavors.”

— ZAGAT SURVEY 2005

Roy's[®]

HAWAIIAN FUSION[®]
CUISINE

roysrestaurant.com

on the mainland:

ATLANTA
AUSTIN
BALTIMORE
BONITA SPRINGS

CHICAGO
DALLAS
JACKSONVILLE BEACH
LA JOLLA
LAS VEGAS

LOS ANGELES
NEWPORT BEACH
ORLANDO
PHILADELPHIA
PHOENIX

RANCHO MIRAGE
SAN FRANCISCO
TAMPA
WOODLAND HILLS

in Hawaii:

HAWAII (BIG ISLAND)
KAUAI
MAUI
OAHU

TaylorMade

R7



**The #1 Driver in golf
just got better!**

Reward your valuable clients and best performers this year with the all-new R7 425 driver. TaylorMade has combined revolutionary performance and Launch Control Technology into their most powerful and forgiving driver yet! With the holidays just around the corner, the R7 425 will help you gain more distance out of this year's corporate gifts.



TaylorMade is available through Brainstorm Logistics. Please call 800-840-4733 Ext. 3238 today to place your order. No minimums required.

brain-storm lo-gis'tics



things, too. You need the equipment that is right for your size, strength and style.

"Most golfers aren't playing with quite enough loft," says Gary Gallagher, head of global product marketing for TaylorMade-Adidas Golf's irons, putters and wedges. "People with slower swing speeds need more spin and launch angle to keep the ball

livers the clubhead. *The faster the swing, the stiffer the shaft.* (Graphite shafts are lighter and, most would agree, preferable.) In any case, you should get custom-fitted. The cost ranges from free-with-purchase to cheap, and it's a no-brainer given the investment you're already making.

Probably the most radical change in

Probably the most radical change in golf club design has been the development of hybrids, which combine the features of irons and metal-woods.

in the air. A tour player wants an 11-degree launch angle and 2,600 rpms of spin versus an 18-handicap, who needs a 13-degree launch angle and 3,000 rpms."

As a rule, *the lower the handicap, the lower the loft.* Tour players use an 8.5 loft; most ordinary players should use between 10.5 and 12.

With drivers and almost every other club, a lot of players are also using the wrong shaft—an unfortunately neglected topic, given that it is the engine that de-

velops the clubhead. *The faster the swing, the stiffer the shaft.* (Graphite shafts are lighter and, most would agree, preferable.) In any case, you should get custom-fitted. The cost ranges from free-with-purchase to cheap, and it's a no-brainer given the investment you're already making.

back, widening the sweet spot—apart here, too. The buying decision with hybrids is whether to choose wood-like or iron-like. Apart from idiosyncratic preferences—some people like the look of one or the other—it comes back to skill level. More advanced players will generally prefer iron-like because it allows them to control and spin the ball. Wood-like, however, will work better for most players.

The adage that you get what you pay for is true enough, but sometimes golf price is counterintuitive. Take expensive ones, such as Titleist's Pro V1 and Srixon's Z-URS, are designed for low-handicap players who can spin the ball around the green and are less concerned with distance off the tee. Mid- and high-handicap players who need distance balls just do benefit that much from those that cost \$36/dozen or more. *The higher your handicap, the cheaper the ball.* A proper fitting should include matching you with the right balls.

There are more good fits to consider. New glove materials allow for a better fit with less pressure (a factor in swing speed). Two leading glove companies include GolfWRX with its Greptile, and XGI, which produces the XG-59. Anyone who prefers walking to riding in the cart should pay close attention to their socks and shoes. FootJoy continues to combine high performance with timeless looks with its Classics Tour, and Adidas Tour 360 Golf Shoe is a good choice for its separate forefoot and heel soles, which allow the foot to expand and contract.

The new H Performance Golf Shoe by DeFeet adds padding and keeps moisture out, thus keeping your feet cooler on hot days and warmer on cold ones.

Of course, as a visit to a golf store will show, the range of other products—apparel, golf bags, swing-improvement devices and all manner of impulse-buy gizmos—is immense. There's plenty of good stuff around, and often there's merit to what at first sounds like marketing blather. A good rule of thumb is that with products such as apparel, there are three categories—performance, value and fashion. Know thyself, and know your golf game. •



Zanella®

MADE IN ITALY



Forbes FYI Ultimate Gift Guide

Forbes FYI invites you to share the good life this holiday season by indulging those with discriminating taste with exquisite gifts. Browse through the following pages for exceptional gift ideas to spoil the senses of the most sophisticated person on your list.

*Happy Holidays
From Forbes FYI*

BMW M5



The Ultimate
Driving Machine®

BMW of North America, LLC
1-800-333-3333

Q1+Q2+Q3+Q4 = M5



This year you've earned a performance bonus. Introducing the new M5 with a BMW Formula 1 derived, V-10 engine. Equipped with 500-horsepower, an astonishingly high 8,250 rpm redline, and the world's first 7-speed sequential (SMG) gearbox, the naturally aspirated M5 rockets to 60 mph in just 4.5 seconds.* And you thought you posted impressive numbers.

*NASCAR test results. Actual acceleration results may vary, depending on specification of vehicle; road and environmental conditions; testing procedures and driving style. These results should be used for comparison only and verification should not be attempted on public roads. BMW urges you to obey all posted speed laws and always wear safety belts. ©2005 BMW of North America, LLC. The BMW name and logo are registered trademarks.

WHEN YOU PUT MONEY IN OUR KETTLE, EXPECT CHANGE



This Christmas, thanks to your donations, need and despair will be transformed by hope and joy. Homes and hearts will be warmed. Empty stomachs will be fed. Thousands of lives will be changed, for the better. And when Christmas is a memory, your generosity will

continue to make a difference for those so desperate in need. In your community and around the world. The Salvation Army pledges to do the most good with your contributions. Thank you for your continued giving at 1-800-SAL-ARMY or salvationarmyusa.org

THE SALVATION ARMY OF THE UNITED STATES OF AMERICA

REHABILITATION YOUTH SERVICES SOCIAL WORK EVANGELISM

DOING THE MOST GOOD™

TIMEPIECES
INTERNATIONAL



SAVE A MAGNIFICENT TIME FOR \$14.95* TAKE ADVANTAGE OF OUR TRIAL OFFER

Klaus Kobec Couture Sports Two Tone has polished golden numerals inlaid on a fine white textured dial. Rich and extravagant 18k gold plated crowns, pushers and bracelet attachments coupled with brushed gold plated centre links of the stainless steel bracelet, together create a stunning mixture of opulence and rugged reliability.

Timepieces International, we are so confident of the quality and beauty of our products that we want everyone to be able to experience wearing our Klaus Kobec Couture Sports Two Tone model - risk-free! Simply place your order, pay only \$14.95* plus s&h, and enjoy your magnificent timepiece for a full 30 days. You will receive massive savings of \$670 against the recommended retail price. In the unlikely event that you do not like it, just return it to us and you will receive a full refund of the trial fee (less s&h). So how can we make an offer like this? The answer is beautifully simple. We have no middleman to pay. No retail overheads to pay. And not the usual mark-up to make, which on luxury items (like watches) can be enormous. Buying direct from the manufacturer means incredible savings. We just make beautiful watches, beautifully and affordably. To buy. For full details call our sales hotline now 1-800-550-TIME (1-800-550-8463). Hurry, this offer is available for a limited period only.

**NO MONEY
DOWN
GUARANTEE**

**5-YEAR UNLIMITED
MOVEMENT WARRANTY**

FEATURES INCLUDE: STAINLESS STEEL CASE, STAINLESS STEEL AND GOLD PLATED BRACELET, STAINLESS STEEL BUTTERFLY CLASP ATTACHED TO THE BRACELET, CHRONOGRAPH FEATURING HOURS, MINUTES AND SECONDS DIALS, CALENDAR, WATER RESISTANT TO 3ATM, SUPPLIED TO YOU IN A MAGNIFICENT PRESENTATION CASE. STOPWATCH MOVEMENT NOT AVAILABLE ON LADIES MODEL.

CALL OUR HOTLINE, 24 HOURS A DAY, SEVEN DAYS A WEEK, 1-800-550-TIME (1-800-550 8463).

PLEASE QUOTE CODE PFY/5NTT.



TIMEPIECES INTERNATIONAL, 3580 NORTH WEST 56TH STREET, FORT LAUDERDALE, FLORIDA 33309 FAX 1 888 675 3045 www.timepiecesusa.com

TRIAL PRICE \$14.95 PLUS FOUR MONTHLY PAYMENTS OF \$43.51 LADIES TRIAL PRICE \$14.95 PLUS FOUR MONTHLY PAYMENTS OF \$42.51 \$14.95 TRIAL OFFER PERMITS CUSTOMERS TO RECEIVE OUR KLAUS KOBEC COUTURE SPORTS TWO TONE TIMEPIECE FOR ASSESSMENT FOR A 30-DAY TRIAL PERIOD WITH THE RIGHT TO RETURN THE MODEL WITHIN THE 30 DAYS WITH NO ADDITIONAL CHARGES (LESS S&H). CUSTOMERS WHO DO NOT RETAIN THE WATCH WILL BE BILLED THE OUTSTANDING BALANCE PLUS ANY APPLICABLE TAXES (FL 6%) FOR THE CHOSEN MODEL EITHER IN FULL OR THROUGH AVAILABLE PAYMENT OPTIONS.

Picking the perfect gift at factory-direct prices has never been **EASIER!**

Rymax is the factory-direct one-stop source for all your corporate gift-giving needs. Our brand-name luxury merchandise is sure to leave a lasting impression with your employees and associates. Whether you order 1 digital camera or 1,000 plasma TVs, we provide drop-ship fulfillment services for the ultimate convenience. Contact us today to find out how we can help you!

ANOLON
The Gourmet Authority

BANG & OLUFSEN

Ben Hogan

BOWFLEX

Callaway
GOLF

CELESTRON

CIRCULON

COLIBRI

DENON

(db) dolan-bullock

FARBERWARE

harman/kardon

hartmann

Infinity

INTERACTIVE
HEALTH

JUL

JENSEN

JUDITH LEIBER

KitchenAid
COOKWARE

KREMENTZ

Lane
HOME FURNISHINGS

marantz

MOVADO
CLOCKS

NAUTILUS

ODYSSEY

SCHWINN FITNESS

SentrySafe

Seth Thomas

SPECTRA

S.T. Dupont
PARIS

StairMaster

TEAC

TOP FLITE

TOSHIBA

RYMAX
MARKETING SERVICES, INC.

WWW.RYMAXINC.COM
19 CHAPIN ROAD • BUILDING B • P.O. BOX 2024
PINE BROOK, NJ 07058
PH: 800-379-8073 x3235 • FAX: 973-808-4513

RYMA
MARKETING SERVICE

ADVERTISEMENT

Gift Guide Advertising Directory

BMW North America

www.bmwusa.com

Rymax Marketing Services, Inc.

www.rymaxinc.com or call 1-800-379-8073 x3252

Timepieces International

www.timepiecesusa.com or call 1-800-550-8463



If You Want to Be Heard, *Whisper*

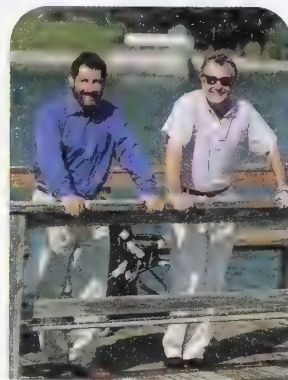
Over the years, Minnesota financier Hap Fauth prepared for the day he'd commission his own boat by penning hundreds of notes to himself on what he'd like to see in a megayacht—including, for instance, his favorite angle for a chair back. Years ago, Fauth launched *Whisper*, an elegant 116-sloop built to his exacting standards. Six guests fit comfortably in three sumptuous en suite cabins, and five crew members take care of the rest. It's available for charter in the Caribbean this winter at \$60,000 a week, plus expenses. Contact Sandy Carney at Churchill Yacht Services; (401) 849-7850, www.churchillyachts.com.

ZERO EXPERIENCE REQUIRED

Armchair adventurers with about nine months to spare starting in July 2008 can sail as crew in the Global Challenge—29,000 miles on 12 identical yachts. Each 72-foot boat is skippered by a professional captain and crewed by 17 amateur sailors with varying degrees of experience. The race takes place against prevailing winds and currents, and advance training is mandatory. The cost: about \$50,000.



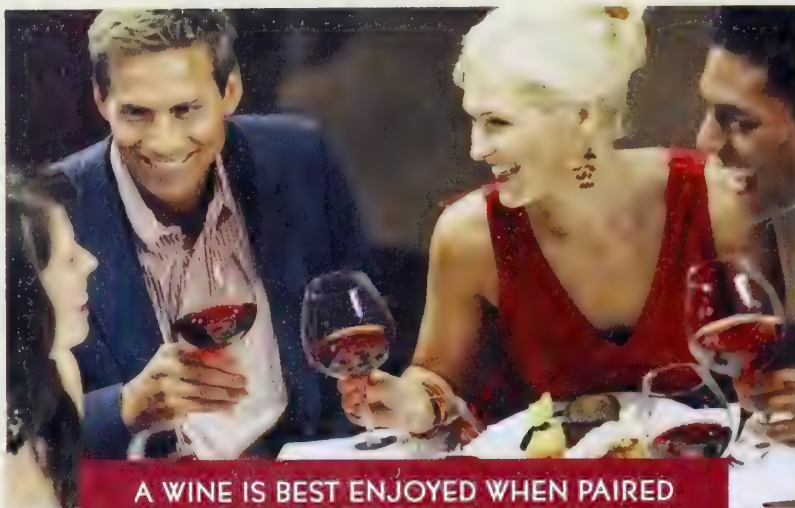
Reward: a life-changing experience. www.challengebusiness.com/global.



THE RIGHT MEN FOR THE JOB

When the time came for Hap Fauth to build *Whisper* (see left), he needed a project manager with exceptional experience and connections in the world of fine-yacht construction. He needed Marine Construction Management. Peter Wilson and Nigel Ingram of MCM took Fauth's instructions and assembled a team that made his vision a reality—and did so on-budget. The Newport, Rhode Island-based pair have managed construction for seven America's Cup yacht campaigns as well as for several extraordinary private power and sailing boats. They've even been known to accompany owners on major expeditions, such as when Wilson took Rob Johnson's 88-foot *Shaman* to the Antarctic. (401) 849-3387, www.mcmnewport.com.

F
Fleming's



A WINE IS BEST ENJOYED WHEN PAIRED
WITH AN EXCEPTIONAL EVENING.



FLEMING'S PRIME STEAKHOUSE & WINE BAR

Discover 100 wines by the glass and the finest prime steaks
in an atmosphere that's gracious and lively.

WHERE EVENINGS OUT BECOME MEMORABLE TIMES

For locations visit flemingssteakhouse.com

Put That Wine Away

Give the gift that keeps on taking:
a place to put those bottles.

The greatest gift for the wine lover in your life may not be another bottle of wine but a place for the bottles he already has. This is what's needed here! Order ideally, certain wine-coddling conditions: most importantly, the absence of sunlight and heat.

Every oenophile has a picture in his head of an ideal "wine cellar." France has provided us with mental images of vast limestone caverns quarried by ancient Romans in Champagne, sometimes ornate aboveground cellars of Bordeaux and the fungus-festooned basements of Burgundy that take you "grot" back in "grotto."

Even its lodgings ever so humble—or ever so pharaonic—deserve the care you bestow on it. If it's the thought that counts in gift-giving, this one qualifies as deep. Even if you have to give it to yourself.

WINE FRIDGE

A kitchen refrigerator does not make for great wine storage—at a normal 36 to 40 degrees, your wine is struck with cold; at 55 degrees, your lettuce is going all wilted. And, of course, there's the pride-of-ownership issue. You may not have a wine cellar as such, but you'd like to be able to show off the bottles you've so lovingly collected. The **Viking Designer Series** wine cellars (\$5,550 for the full height; \$1,800 and up for the under-counter models at vikingrange.com) were designed with



Dig it: Bacchus Caves



Sometimes you've got to chill: Viking Designer Series



Dancing on the table: The Echelon

your mind in mind. Fitted with either a clear or fluted glass door, the full-height 30-inch-wide, 83-inch-high beauties store—and to some extent display—up to 150 bottles (including magnums) on 15 heavy-gauge pull-out shelves. The electronic temperature control, it is claimed, maintains three different temperature zones within 1.5 degrees.



Napa's 55 Degrees

TABLETOP WINE RACK

The convention of storing wine bottles on their sides probably has more to do with space-saving than keeping wine sound (a decent cork in reasonably non-parched surroundings should last more than a decade even in an upright bottle). There is nothing in the conventional wisdom, however, that says style points don't count, even with the most basic wine storage. The brushed satin aluminum Echelon 12-bottle rack (\$90 at iwawine.com; 800-527-4072) manages to be at the

same time handsome, functional—unlike many racks, it will accommodate Champagne bottles—and humorous in a kind of folded-noodle-y way.

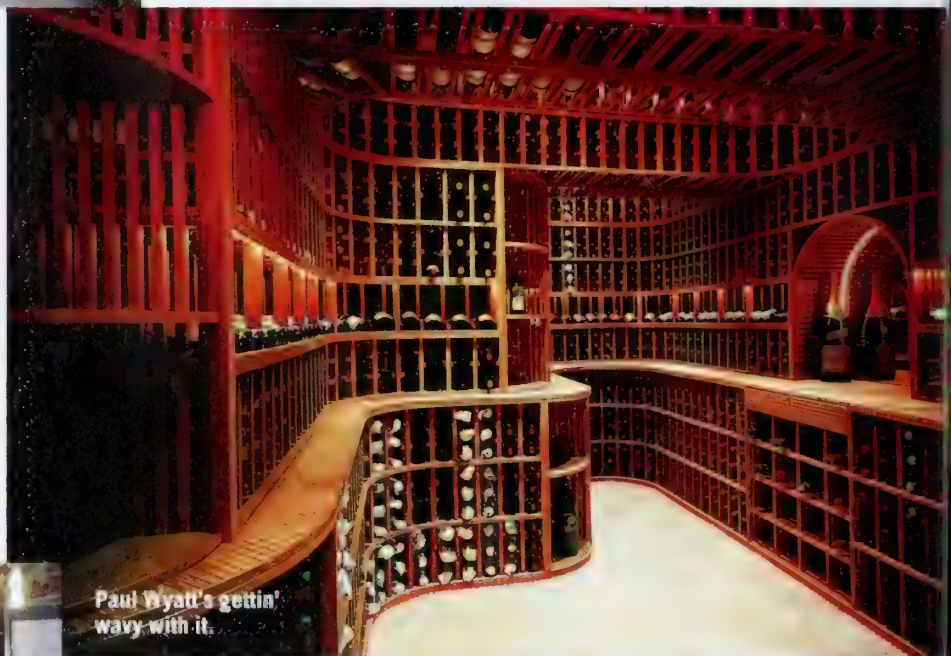
DIG YOU MUST

You know what you *really* want. You want to connect with the foundational folklore of the whole wine thing. You want to get subterranean with it. Bacchus Caves of Napa and Malibu (bacchuscaves.net) will not only conduct geotechnical studies to help you choose a site for the home cavern of your vinous dreams, assist you with the necessary permits, and excavate and ventilate the hole, they will also fit it out to suit your fantasy. (Expect to pay \$150 to \$350 per square foot for the finished cave.) These are excavations that entice you to linger and socialize

warehouses are springing up, offering collectors an array of services. New York City's **Chelsea Wine Storage** (chelseastorage.com), for example, provides a line inventory of your collection, daily pickups and deliveries, and will pull, say, bottles you want sent as a gift and ship them. Out in Napa Valley, Helena's **55 Degrees** (fiftyfivedegrees.com) handles direct shipments from wineries and stores, and has an in-house transportation network to facilitate buying or swapping bottles with other members.

THE HOME CELLAR

The phrase "custom wine racks" rears nearly 1.3 million hits on Google, giving you some idea of how many variations of "Let us design/build/install your dream home wine cellar" are out there. As part of any home-improvement scheme, y



Paul Wyatt's gettin' wavy with it.



Stacked: Chelsea Wine Storage

underground. Want a "cinematic, audio and surround-sound environment" while you sip? Yeah, they can do that.

O.P.S.: OTHER PEOPLE'S STORAGE

If the cases are starting to pile up and you've got wines you don't need daily access to, a good plan would be to leave proper storage to the pros. This is a particularly smart idea for investment-grade wines that you may want to establish provenance for at auction. Many fine wine retailers around the country offer favored clients space in their storage facilities, and wine-dedicated

got to trust the folks who are doing the work. This will involve some potentially migraine-inducing combination of insulating material that you may want to vent, a cooling unit that must be vented somewhere and a rack design fitted to the quirks and peculiarities of your space. Given that this is an industry with myriad small players, it pays to shop around. You can expect to shell out at least \$100 per bottle and (way) up for the rack. The curvy, sinuous design pictured is from San Francisco-based **Paul Wyatt Design** (fine-wine.com). •



THE CHIVAS LIFE

THE CHIVAS LIFE™ responsibly. www.chivas.com
CHIVAS REGAL® 12 Year Old Blended Scotch Whisky. 40% Alc/Vol. (80 Proof)
Imported by Chivas Bros. Import Co., White Plains, NY



RAYMOND WEIL

GENEVE



Tango

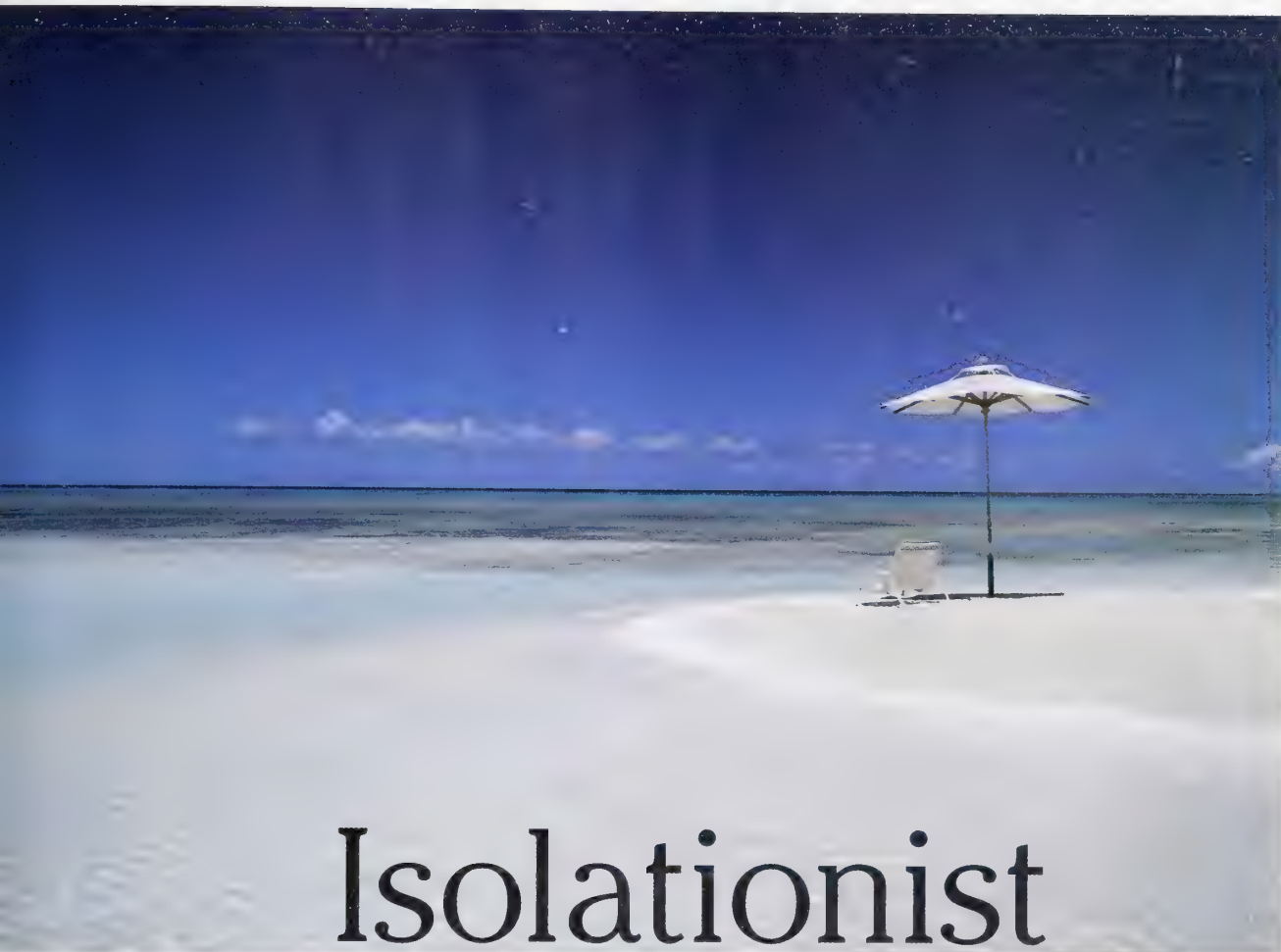
Stainless Steel, Rubber Strap
Chronograph, Quartz



BAILEY BANKS & BIDDLE

WHERE TREASURES LIVE.

1-800-651-4222



Isolationist Values

Antigua's Jumby Bay offers the joys of sort-of-private island living.

Owning your own island certainly seems like a grand idea. Total quiet, complete privacy, a princely republic of one.

Then, of course, you run out of tonic water and have to sail for the nearest supermarket.

Perhaps an even grander idea is to own 1/60th of a private island, equipped with a small, fully staffed resort including a clubby Estate House with a picturesque garden court, restaurant and bar (a ready source of tonic).

Jumby Bay, a tiny, gently undulating, beach-rimmed islet, two miles off the coast of Antigua in the West Indies, is just such a place, a sugar plantation turned luxury Caribbean retreat with no cars, 60 privately owned properties (ranging from eight-bedroom compounds to two-bedroom villas) and a 40-room mini-resort run by the Four Seasons Hotels & Resorts. Combining private-island seclusion with mainland services, Jumby Bay is a rare off-both-worlds sort of getaway.

But that, on a recent visit, was rather crowded with guests. For Jumby is in the midst of a building boom,

with eight of its remaining lots having sold in the last two years for prices ranging from \$1.5 million to \$4 million (for land alone). This is last-gasp construction, as the home owners who have collectively held title to the island since 1988 have capped the total number of properties that can be built here at 60, with only five empty lots remaining unspoken for. Once these are gone, prospective buyers will have to be patient; property values have been rising at a rate of eight to ten percent a year, and resales are rare (only 3 of the 19 big homes have traded hands in the last five years).

Jumby Bay's resort, which doubles as a sort of country club for home owners, is a discreetly spread-out and restful place with few TVs and no locks on the doors. Guests tool around on bikes, play tennis and lounge in beachfront hammocks. Nightly rates (starting at \$1,150 in winter and \$750 in summer) include all food and drink, meaning no money changes hands, adding to the away-from-it-all allure of the place. Getting even further away is



The pool pagoda at Carisbrook, one of Jumby's estates-for-hire

easy: In an admittedly unscientific survey at Pasture Beach, a lonely and lovely strip of sand that is the protected nesting area for the endangered hawksbill turtle, the island's small, curious lizards outnumbered sunbathers at a rate of something like 500 to 1.

Suites at the resort are plush, but the best way to introduce yourself to landed life at Jumby Bay is by renting one of the few private homes available for guest stays.

This season Rosewood will offer five Jumby's private estates (at rates ranging from \$8,000 to \$15,000 a night). Each home comes with a private chef, housekeeping staff, and is of unique design, incorporating indoor and outdoor living space, tennis courts, treatment rooms and pools that run right up to the ocean. The sales boom at Jumby Bay has been fueled by visitors to homes like this who, lovestruck, buy an available property on a whim before embarking by ferry to Antigua's airport.

So if you're feeling whimsical, flush, make haste. Of the five properties remaining on the market, one is a beautiful front four-acre parcel listed at \$4 million. The others are three- to four-acre parcels near the harbor on which the island owners plan to build impressive homes in keeping with their own—and list them at \$12 million each. •

Jumby Bay property inquiries should be directed to the resort, (268) 462-6666 or www.jumbybayresort.com.



1-877-HALFMOON • www.halfmoon.com



HALF MOON

ROSE HALL, JAMAICA

THE ONLY DESTINATION CLUB THAT KNOWS THE DIFFERENCE BETWEEN GOOD AND EXCEPTIONAL.



For those individuals that understand that real luxury means standing away from the masses, charting one's own course, and defining for oneself what is meaningful, Tanner & Haley Destination Clubs™ provides the ultimate experience.

At Tanner & Haley Destination Clubs, we provide our select clientele with breathtaking homes in the world's most desirable locations. Our five-star services and amenities programs assure that your unique needs and desires are always fulfilled.

So whether you have a passion for skiing the world's most challenging slopes or simply need to unwind in one of our infinity pools overlooking the ocean, Tanner & Haley celebrates the things that matter most to your life.



CABO SAN LUCAS MEXICO

For more information, call **800.490.0132** to speak with a Membership Director and visit **www.tannerandhaley.com** to view a sample itinerary.



DISTINCTIVE RETREATS II™
a Tanner & Haley Club

The
Spirit
of
Yachting

of PORTS FANCY

FROM THE SHORES OF SAVANNAH'S RIVERFRONT TO A TRANQUIL ISLAND IN THE BAHAMAS, THE OPTIONS FOR LUXURY MARITIME LEISURE AND SERVICE HAVE NEVER BEEN BETTER.



Not long ago, as he celebrated the launch of his latest floating palace, an accomplished billionaire was asked to comment on the extravagance of his purchases, which included a new yacht, a fleet of collectible automobiles and a corporate jet. "I don't apologize for acquiring all of these toys," he said. "Instead I boast of these as rewards I have earned from years of struggles."

by Georgia R. By

Global Excellence. Southern Splendor.



GLOBAL SHIP SYSTEMS
WORLDWIDE MARINE SERVICES

301 N. Lathrop Avenue | Savannah, GA 31415 USA

Contact: Eric Haberli 912.443.0790 office 912.313.6010 cell www.globalshipsystems.com



Top: Global Ship Systems accommodates magnificent megayachts in its impressive Savannah facility.

Bottom: Quaint outdoor eateries boasting fine southern cuisine are within minutes of Global Ship Systems' Savannah shipyard.

This entrepreneur had overcome educational challenges and steadily worked his way up in a business started by his father, a Cuban immigrant. Today is the successful chief executive officer of several international companies. "I spend nearly every day and night working," he continued. "With my yacht and jet, I am able to relax and keep my businesses operating efficiently 24 hours a day. I am not ashamed of the times I mix leisure and work ... rather, I am proud."

Among global executives, he is not alone. In an age when the lines between business and leisure are increasingly blurred, megayacht travel is becoming ever more popular. The services and destinations that cater to these vessels are growing rapidly. Global Ship Systems, a repair and refit company in historic Savannah, Georgia, and Chubb's, a tropical marina development in the Bahamas, are two such examples of aquatic havens for the world's most discerning individuals.

Megayachts Get a Taste of Southern Hospitality

To the genteel Southern grace of beautiful Savannah, Georgia, add yet another reason to visit: a highly regarded yacht repair and refit facility that refines a bustling riverfront. Today, Global Ship Systems (GSS) exudes the tradition of maritime excellence that has made the city famous by attracting an array of magnificent megayachts to the city's industrial riverfront.

Featuring one of the most capable facilities in the world, the comprehensive and convenient GSS facility has rapidly earned a reputation as the preferred venue on the East Coast. Megayachts boasting the world's latest marine technology and finest craftsmanship are sailing to Savannah to benefit from GSS's team of high quality refit and repair professionals, all working within a gleaming facility that is constantly evolving.

A testament to the popularity of GSS is the fact that many of the world's most renowned megayachts — including majestic vessels such as *Tranquillity*, *Rebecca*, *Lady A*, *Gallant Lady*, *Helios*², *Chantel Ma Vie*, *Lady Joy*, *Senses* and *Lady MII* — have graced the GSS docks. And a glance at the company's current reservation list shows that countless other yacht owners and crews are on board for the GSS experience.

The striking location of the GSS facility has played no small role in the growth of the company — and GSS has returned the

favor by helping to revive Savannah's boating industry. "Savannah," says Rob Creech, chief executive officer of GSS, "is returning to prominence as the leading destination for megayacht repair and refit."

The city remains a magnet for those wishing to experience the South at its most charming. Surrounding the facility are the cobblestone streets and striking architecture for which Savannah is famous. Delectable Southern cuisine, upscale accommodations, a shopping promenade along the city's historic waterfront and a championship golf course on nearby Hutchinson Island are just a few of the many incentives to visit.

Most popular among yacht owners and crews is the unique experience at GSS, where Southern hospitality and personal attention abound. In addition, the company boasts a 535-foot-long graving dock with a retractable cover, which accommodates megayachts up to 380 feet in length. A covered boathouse spans the entire slip; a construction hall accommodates ships up to 200 feet each; and a 160,000-square-foot climate-controlled production facility handles materials fabrication. The company's recently upgraded railway system is capable of hauling a vessel safely and efficiently, due to the even displacement of the vessel's weight along the keel bilge blocks.

"Our shipyard is one of a kind in the industry," says Creech, "and that, coupled with our ideal environment, makes it a highly desirable place to bring a vessel."

Web Directory

Chubb Cay: www.chubbay.com

Global Ship Systems:

www.globalshipsystems.com

For more information on Global Ship Systems, visit its Web site at www.globalshipsystems.com, or contact Eric Haberli at 912-313-6010 or via e-mail at ehaberli@globalshipsystems.com.

Megayachts and Fishing Fans, an and Paradise

Within the Berry Island chain of the Bahamas, just a half-mile from fertile waters called The Tongue of the

n, exists a treasure — once shared by sport fishermen who pulled snappers, Wahoo and yellowfin tuna from crystalline waters — a tropical paragon known as Chub Cay.



ages like this one reflect a
mian style.

determined to retain its natural beauty, Chub Cay is being transformed into a modern-day haven for not only fishermen, but also for executives seeking the rarest of solitude — luxury amid magnificent surroundings. Chub Cay's beaches are lined with the pastel pinks, blues and greens of cottages, bungalows and fine homes, while its sparkling marinas offer a haven for the world's most impressive yachts.

cradled by a 200-slip marina, the island's latest development, Conch Point, features 19 waterfront home sites, many with private docks and all with spectacular views. The magnificent two-story homes — up to 10,000 square feet and accented with separate 2,000-square-foot guest homes — are rising among the swaying palms and island flora.

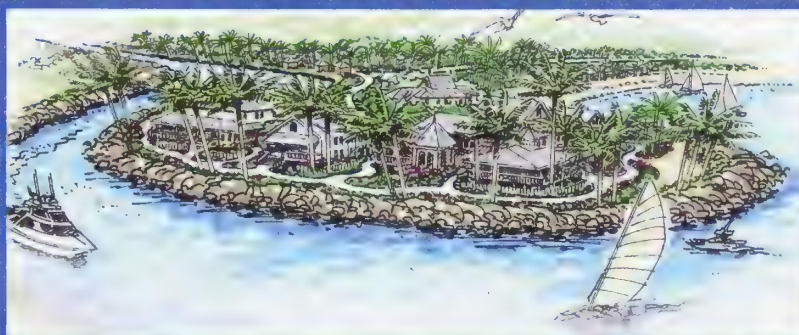
Chub Cay's official grand opening in Spring 2006 will welcome guests and resi-

dents to villa accommodations, including two-bedroom bungalows and five-bedroom estate homes, and a lavish private club. For those arriving by private aircraft, a 5,000-foot runway accommodates most private and charter jets. As a port of entry, Chub Cay offers guests and visitors the convenience of clearing customs within moments of landing.

With the marina's imminent opening, the word of Chub Cay's transformation is spreading, property and marina slips will soon be gone.

For more information about Chub Cay, including real estate inquiries, call 877-234-CHUB or visit www.chubcay.com.

OUR SKETCHES ARE COMING TO LIFE



The redevelopment of Chub Cay is well underway...an expanded marina with state-of-the-art concrete floating docks, a new 18,000 square foot clubhouse and the first of 57 luxury villas will be ready for our re-opening in Spring, 2006.

We are now pleased to introduce Conch Point, the second phase in Chub Cay's private island enclave, featuring 19 one-half, and full-acre waterfront home sites, all with spectacular views and most with private docks. Each site will accommodate a spacious home, with ample space for a separate guest house.

Only 1/2 of our 870 acres will be developed. The balance of the island and surrounding waters will remain in natural beauty. The location and conditions are perfect for the development of a private island resort.



CONCH POINT

AT CHUB CAY

Berry Islands, Bahamas

WHERE FISHING LEGENDS AND FAMILY LEGACIES ARE BORN

For membership information and real estate inquiries:

(954) 653-0830 / 1 (877) 234-CHUB / www.chubcay.com

See us at the Fort Lauderdale Boat Show in the Superyacht Builders' Tent,

Booth 701 and view a scale model replica of Chub Cay

TIMELESS

THE BREAKERS

PALM BEACH

To stay at The Breakers Palm Beach is to enjoy the pleasure of truly personal service, luxurious accommodations, one-half mile of private beach, an oceanfront spa, an array of fine dining, 36 holes of championship golf, world-class tennis, award-winning family and children's programs, and the finest on-site boutiques. A stay at The Breakers is an experience worth repeating for generations to come.



INTRODUCING THE ULTIMATE BEACHFRONT EXPERIENCE AVAILABLE WINTER 2006

Designed to complement The Breakers existing Mediterranean-style Beach Club and Spa, this redevelopment will transform the five-acre beachfront into an even more spectacular, lushly landscaped oceanfront destination with 20 new beach bungalows for daytime rental, two new pools, three new Jacuzzis, the new Ocean Grill and more. Visit www.thebreakers.com for information and updates.

For reservations or information, call your travel professional, contact The Breakers directly, 1-888-BREAKERS (273-2537), or reserve online at thebreakers.com.

Owned and operated by Flagler System, Inc.



Balancing Act

Miraval, a destination spa that isn't,
plans to take its show on the road.

There aren't too many occasions in life where one is called upon to climb a pole to a great height, to atop it and then leap off—albeit firmly strapped into a safety harness. It's even less common for one to actually *want* to do it. But those acrobatics, and other fear-confronting "challenge" activities, are a centerpiece of the stay at Miraval—the anti-spa.

Tucked away in a valley north of Tucson, just west of the Santa Catalina Mountains, Miraval dubs its philosophy "Life in Balance." The words "spa" and "resort" are nowhere in its name, and in an era where luxurious amenities seem to be replacing culinary service among high-end destinations, Miraval is definitely an exception. The grounds and the 102 casita-style accommodations are lovely and exceptional. In fact, Miraval is also home to Sierra Tucson, a highly respected meditation-recovery center. Its owner, Bill O'Donnell, moved Miraval ten years ago (Sierra Tucson is now at another location). There's a definite psychotherapeutic undertone running through Miraval's presentation, and for good reason. In the past, spa-goers have been raving to each other about programs such as "Desert Journey," in which, among other things, you may be called upon to balance an upright peacock feather in the palm of your hand. Like the balancing exercise, it's about executing a task that is impossible but isn't. The goal is to be mindful—of breathing, as a relaxation technique, and of how to approach the task at hand.

Of course, there are the requisite spa treatments (not uniformly outstanding) and fitness classes, and



**It's not about
the massage:
Miraval sets the
standard for
destination spas.**

much to Miraval's credit, the variety and consistency of health make it easy to cram a whole day's activities rather than wait around for that one afternoon slot for the life-size massage. Still, the challenge sessions are Miraval's bread and butter. Perhaps most famous is the Equine Experience, in which guests are taken to a nearby horse ranch, shown a demonstration on how to groom a horse and then charged with doing it themselves. "It's not about the horse, it's all about you," notes Wyatt Webb, Miraval's "Equine Services Manager" and a psychotherapist for two-footed beasts. What's revealed:

more resorts throughout the country; we imagine urban executions of the Miraval DNA," he says. "It's also a chance to do something meaningful, to help change people's lives and empower consumers," in much the same way, Maversohn claims, that Case did with America Online.

To that end, the company recently announced that Andrew Weil, M.D., will be coming aboard as Director of

pole; it's about how you come to it," says that focus groups of Miraval go (largely affluent urbanites) became excited at the idea of local access to Miraval experiences throughout the year. "It's a little like taking piano lessons without a piano at home. If we give you a little piano practice on, you will improve."

Another way of financing Miraval expansion is the construction of 50 v

"Miraval isn't about the horses, and it is about climbing up on the telephone pole; it's about how you come to it."

A Miraval guest makes the arduous trek from spa to suite.



The patterns of your learned behavior, your ability, or lack thereof, to solve problems and your willingness to ask for help or other opinions. Think it sounds easy? Try walking around a horse's rear with your arm resting on his back without breaking stride—remember, we're taught to fear getting kicked. It's an eye-opener.

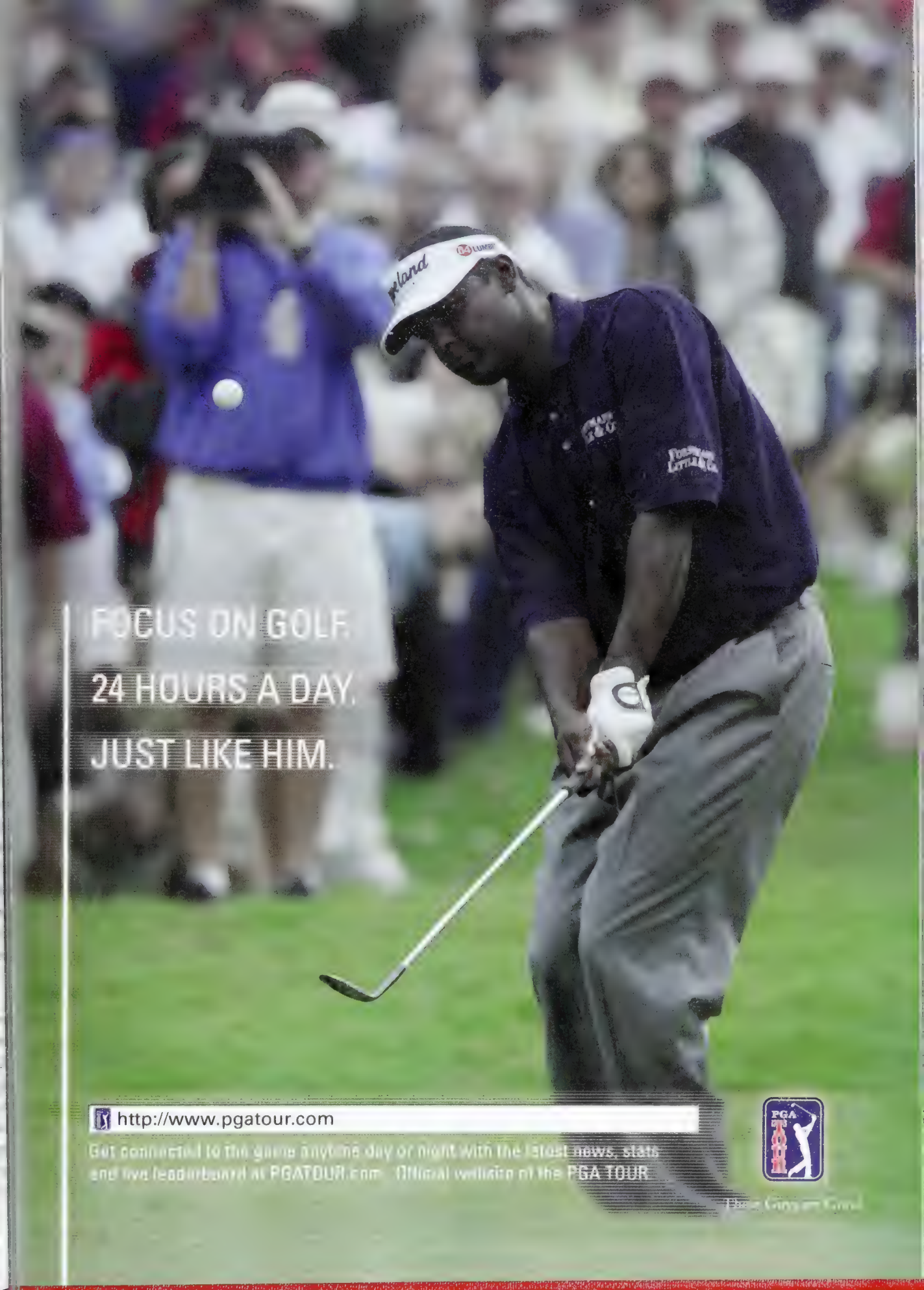
No other spa goes out on this quasi-recovery limb like Miraval. Which made it all the more interesting earlier this year when Steve Case's Revolution holding company bought a majority stake in the place with the idea of expanding its message nationwide. "Fill any white space," says Harley Maversohn, vice president of branding and marketing for Miraval. "Which means the place saw Miraval as a great brand that could be used in a variety of ways."

Integrative Health & Healing. Weil is highly respected in the wellness field; one of his charges, according to the company, is to develop a "healing center that is a hybrid of a clinic and a spa." The vision for Miraval includes not only his creations but regional wellness centers across the country offering Miraval-derived programs.

On a recent visit, a guest marveled at Case's hubris: The Sonoran Desert setting is so picturesque, the activities so singular (and space-demanding—the resort spans 317 acres), the staff so large and highly educated, and the variety of activities so extensive that the idea of all this being both exportable and profitable seems counterintuitive. But Maversohn isn't buying it. "Choice is a core principle here. Miraval isn't about the horses, and it isn't about climbing up on the telephone

on the property, with price tags from approximately \$700,000 for one-bedroom to \$1.5 million for two-bedrooms. Ownership comes with a resort membership that includes V.I.P. privileges. (Exclusive Resorts, Case's luxury-residence club, own and operate some of the units.) Since 30 percent of Miraval's guests are repeat customers, it seems a safe bet that there's a ready-made second-home market. And in recognition of its gender gap—60 percent of Miraval's clients are women, which is no better than the industry average—the company is in the final stages of negotiating with Fred Shoemaker of Extraordinary Golf to run a golf school three to six times a year. (Miraval has courses on site but there are several nearby.) The plan is for a school, with a Miraval twist of course: In addition to course instruction, there may be classes in posture, exercises to strengthen your back and shoulders, and creative visualization exercises to help you sink that five putt. So while the women become actualized, the men can cut their hair in half, and everybody—Steve included—is happy. •

Miraval's rates are \$615 per person nightly, for a deluxe double room, with a and \$715 for a single, until May 24, exclusive of taxes and service charges. include three meals daily; all scheduled programs and activities; one spa treatment, consultation or round of golf per person per night of stay; and round-trip transport from Tucson's airport. (800) 232-4444. www.miravalresort.com.



FOCUS ON GOLF.
24 HOURS A DAY.
JUST LIKE HIM.

 <http://www.pgatour.com>

Get connected to the game anytime day or night with the latest news, stats and live leaderboard at PGATOUR.com. Official website of the PGA TOUR.



Photo: Gary Amos/Corbis

WWW.ROGERDUBUIS.COM

MuchMore - born in Geneva / 1998



For information 570-970-8888

Everybody Must Get Stones

Master carver Walter S. Arnold is a rock star from a different era.

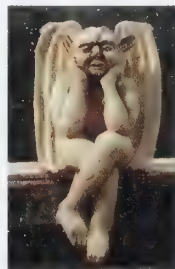
A fireplace can be a form of sculpture built into a house," proclaims master stone carver Walter S. Arnold, whose Elgin, Illinois, studio crafts sculptural fireplaces indeed in Indiana limestone and exotic marbles. Arnold's hearths range in style from classical to angular, quirky and postmodern. All are one-of-a-kind and hand-carved. Even in our house-holding age, such bespoke stone fireplaces are a rarity; there are many more modern Medicis to commission the work than Walter Arnolds to carry it out.

Whipping beauty and grace from blunt rock requires a common blend of skills and stubborn, dusty years of chisel-paying. It is not just out of favor as a career path teetering on extinction, especially in this country. Of an American workforce of 150 million, membership in the Stonecarvers Guild stands at...30.)

Arnold, 52, learned the sculptural aspects of his craft by apprenticing himself to master stone carvers in Carrara, near the famous quarries of Carrara in Italy, carving marble Madonnas, altar pieces and portrait busts. He then honed the architectural side of his skills working five years at Washington's National Cathedral, where he still chisels a mean gargoyle. (Check it out at Walter's wonderful website, stonecarver.com.)

When crafting a fireplace, Arnold says, "I focus on individual details for the client, but I keep in mind that eventually the house will be sold to other families." Sometimes the period details are subtle, as when he re-created an antique fireplace from old photos and substituted the current owners' crest for the originals on the mantel medallions. For the home of an author, he conjured up an intricate fantasy in which perpetual Chinese dragons support a pagoda and rest in turn on stacks of books bearing the author's own titles on some of their spines.

What you get when you pay \$8,000 to \$10,000 for a Walter Arnold fireplace is not just a statement for your home, but the sense of a connection to the whole history of men coaxing beauty from stone. Communication in this vein takes Arnold up to a kind of time travel. Says he, "Some of my most important 'teachers' have been anonymous carvers whose pieces I've come across while passing different buildings. Over the decades of years I can still stop and read the old language of their chisel work." •



How do you spell relief? A range of hand-carved sculptural forms by Walter S. Arnold.



Cordless Freedom • Elegant Design • High Performance



This year give the gift they'll use every day— Cordless SOLO S2

For the driver or car enthusiast on your list, the remarkable Cordless SOLO S2 radar and laser detector is, quite literally, the perfect gift. Here's why.

The winner of *AutoWeek* magazine's comprehensive test, SOLO S2 is the only high-performance radar and laser detector that's cordless—but with all the performance and features you'd expect from Escort. There's no other detector like it—at any price.



Solo S2 comes in an elegant hinged case that will make this gift even more special.

Toll Free 1-888-8ESCORT, (Dept. 2010D5) or visit **www.EscortRadar.com**

SOLO S2 • \$329.95 • Includes carrying case, batteries and windshield mount.



ESCORT

The Radar & Laser Experts

The Magnificent Oakes

He'll amaze and mystify your friends. Ryan Oakes is the hottest magician working today.

When Ryan Oakes goes to work, he carries two Anvil cases. Inside are seven decks of Bicycle playing cards, ten books of matches, coin envelopes, surgical clamps, a fake egg, ten forks, dental floss, crisp \$1 bills, beeswax, two lemons, an orange and a pocket knife.

But it's his hands that keep him in business.

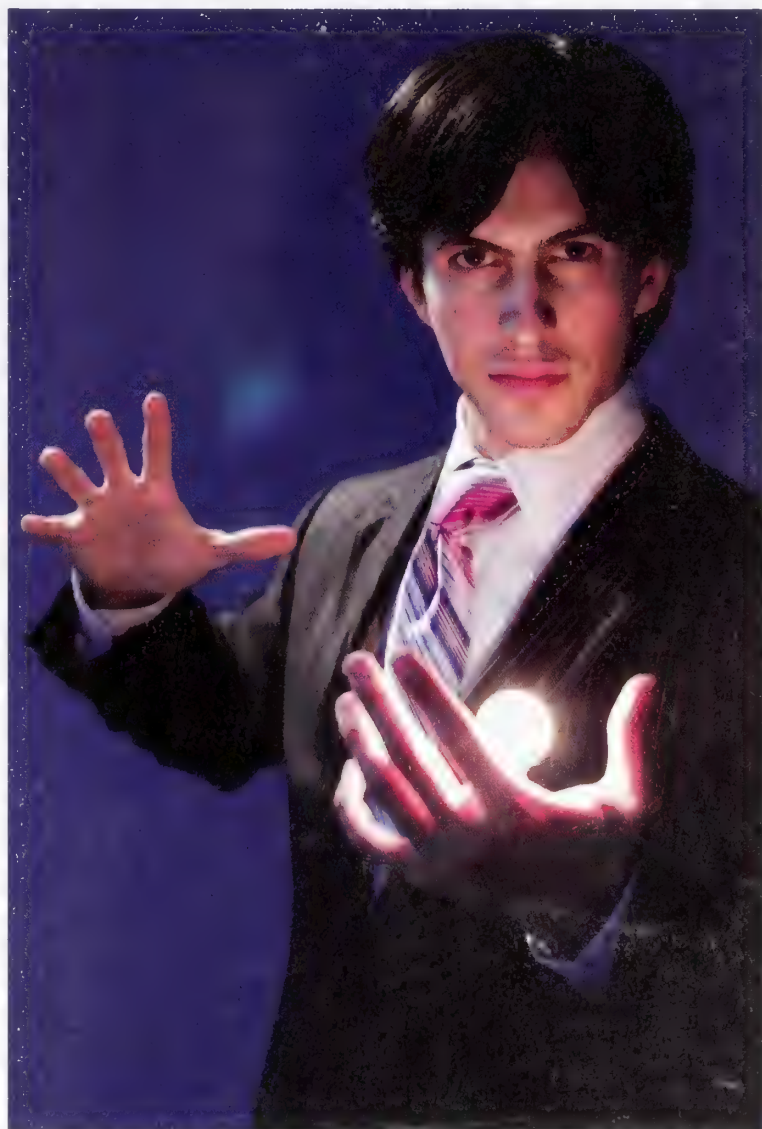
A sleight-of-hand artist, magician, conjurer, trickster, key, call me what you will," he says to a group of 20 or so adults gathered in a living room on New York City's Central Park West. They're here to celebrate a birthday; Oakes and the contents of his Anvil cases are the entertainment.

He begins a variation of three-card monte—the old game in the book. Rather than cards, Oakes pulls four envelopes from a case and asks a woman in the audience for a hundred-dollar bill. She reads the last three digits of the serial number ("66Q"), rolls it into a tight cylinder—using the surgical clamps—places it in one of the envelopes. Oakes shuffles them briskly, deliberately, and asks the volunteer to pick one.

At this point, he usually puts the other three envelopes in a frying pan and sets them on fire.

"To see if they have a sense of humor!" he says later, laughing. "The envelope they're holding is empty. I tell them if they've got another hundred so we can start at the beginning. You should see the look on their faces...every time!"

Oakes is right. The woman holding the empty envelope isn't laughing, and neither are the other guests,



crammed onto couches or angling for a spot in the doorway. Mindful of the oriental rugs, this time Oakes leaves the matches where they are and opens the three remaining envelopes instead. They, too, are empty. He smiles, milking the silence.

"There's this moment when you've got them," he says. "It's the most innocent of human emotions, really. Wonder. Everyone secretly wants to be amazed."

Where's the hundred-dollar bill? Oakes has the orange in one hand, the kitchen knife in the other. Nobody moves.

As magic tricks go, the one Oakes is about to complete—"bill in lemon"—is a classic: First, the magician makes a bill disappear. Then he cuts open perfect, untouched fruit and pulls out the missing money. Created by vaudeville star Emil Jarrow, the trick has been performed by magicians for more than a century.

But Oakes, 27, is from a new generation of high-end magicians. He's never worn a top hat or tails, preferring bespoke suits. He keeps his pin-straight brown hair long but neat. And he's as comfortable in a boardroom as he is onstage.

"You could say I'm an entrepreneur," Oakes says. "It's not about kids' birthday parties anymore. To be relevant today you gotta—well, it's a cliché, but you have to think outside the box."

Take the "bill in lemon" trick. Oakes has done a variation of it a hundred times for corporate clients or in private homes. During a promotion for R.J. Reynolds, he made a playing card appear inside an already-smoldering Camel cigarette. Last spring, he and two other magicians ran an 18-city tour in conjunction with Absolut Vodka. They cut cards out of citrus fruit in honor of Absolut's new flavors. Oakes's client list is packed with blue-chip companies: Pepsi, Citigroup, Disney, IBM. He's performed for David Rockefeller, Ari Fleischer and Tommy Hilfiger, and worked from Japan to the Cayman Islands. His last trip abroad was to Trinidad—a 36-hour jaunt where, during one trick, he ripped up a newspaper and put it back together to promote recycling for a waste-management company.

No, it's not about kids' parties—at least not the kind with pixie-stick-filled goodie

bags. But as one of the most sought-after magicians in New York City, Oakes still performs at some jaw-dropping birthday soirées.

"The New York bar mitzvah scene is really competitive," he says. Even non-Jews are getting into the act. "I worked a Willy Wonka-themed 13th birthday...chocolate floor, trees with gummy bears, Oompa Loompas, the whole nine yards. When I finished, Ashlee Simpson went on."

The same corporate sponsors who hire Oakes for events want him for their own birthdays. "I did an over-the-top party at Tappan Hill for a client's 50th. I heard him say having a party like that was like buying five new S-Class Mercedes—then pushing them off a cliff!" he says, laughing.

Oakes received his first Fisher-Price magic set as a five-year-old in Stamford, Connecticut. By 11, he'd won the Society of American Magicians' annual competition, the youngest performer ever to do so. "Some people are just born with great hands," says Bill Andrews, 86, a former SAM president and Oakes's mentor. "Ryan is one of them." A year later Oakes became the youngest solo magician ever to perform at the renowned Magic Castle in Hollywood.

Even today, Oakes is all control, always aware of his hands even when he's not performing. He demonstrates one of his earliest tricks by taking two rubber bands from his jacket pocket. A volunteer stretches one between his index and thumb. Oakes holds the other in the same way, inside the first band, forming a cross. Stare as hard as you can, you won't be able to tell how Oakes passes one band through the other.

"See, they never break," he says. "People love this trick so much I still carry around rubber bands. I can do it on the subway... in an elevator... anywhere."

As a kid Oakes went to a magicians' camp run by Tannen's Magic, the oldest existing magic store in New York City. Illusionist David Blaine was a counselor. Actor Adrien Brody was a camper. Oakes's best friend at camp, Darren Romeo, later became a protégé of Siegfried and Roy.

"We were these brilliant social outcasts," Oakes says. "We'd try to outdo each other with the best scarf or rope tricks."

Oakes went to college at the University of Pennsylvania and came to New York

ready to start a Web-design business kept doing a few shows, a couple of parties," he says. "I never thought magic going to be my life."

But the calls kept coming—big events, more elaborate parties. C.I. wanted him for their product launch also to teach them a few sleight-of-hand moves. Word of mouth spread, and so Oakes was working with a dozen event planners. Five years later, he is constantly running between shows or checking his cell phone or talking about where he is in the world of magic.

"You ask someone to name the magicians they know, and the average person can only list two, three max," Oakes says. "Usually Copperfield and Blaine."

David Copperfield specializes in illusions—walking through the Great Wall of China, making the Statue of Liberty vanish. Blaine prefers endurance stunts. But he also successfully reintroduced audiences to the close-up magic—hand tricks done with cards, balls or coins—magicians like Oakes are known for.

"Look, everything's been invented. Card tricks Blaine does have been around forever—since Houdini. 'Bill in lemon' is decades old," says Steven Brown, owner of Tannen's Magic. "But you've got to let Ryan do it. He's got the executives so blown away you have to peel them off the ceiling."

Oakes takes his success in stride. "I'm merely an actor playing the part of a magician," he says. "One day I'm pretending to be a street magician on a corporate cruise, the next I'm wearing a tuxedo doing tricks at Hermès with scarves, making a bottle of their new fragrance float. I'm a brand manager—with rubber bands in my pocket."

Back in the Central Park West living room, Oakes has just revealed the orange in half to reveal a sticky, rolled-up hundred-dollar bill jutting from its center. Before he has a chance to unroll it and read the three digits of the serial number ("66C"), the crowd erupts:

"OHMYGOD!"

"Seriously, how'd he do that?" •

Ryan Oakes's fees start at \$1,000. (212) 699-0700, www.ryanoakes.com.

The Enlightened Personal Traveler



THE LUXURY OF TIME

Written and produced by Mark Patiky

Time: How many of us haven't wished we could squeeze more into a day? Or find a way to shoehorn a couple extra days into the week? Or take a long weekend without spending half of it traveling? How much would that be worth? A growing number of travelers have found a way to achieve that seemingly impossible goal. These are travelers whose time is precious, and they are turning to private aircraft for business and personal transportation needs. They are also finding it affordable, available and well worth the cost.

THE ENLIGHTENED PERSONAL TRAVELER

"Time is the most valuable thing in the world, and what private aviation does is give you time," says Jim Davidson, president and chief executive officer, Davidson Development, Inc., who recently bought a Bombardier Skyjet Card that gives him access to a Learjet 60 whenever he wants it. Dave Borreson, an East Coast home builder, chose a fractional share in a CitationShares Cessna Citation Excel. "I found that I was creating hundreds of hours to put back in my life."

These travelers don't arrive at the airport two hours before departure. They don't need to land or take off from major commercial airports that are often a considerable distance from their destination. They fly direct to and from out-of-the-way places and don't worry about having more than two carry-ons or waiting at a carousel for their luggage. They are part of a new wave of travelers who are discovering daily how easy it is to travel with convenience, luxury and comfort in a cost-effective way.

THE NEW AIR TRAVEL PARADIGM

Private aviation has witnessed remarkable growth over the decade, spearheaded by business users who, adversely affected by the sharp deterioration of the airline experience, discovered tremendous advantages in efficiency, opportunity and productivity that private aviation affords.

Now, a rapidly growing percentage of non-business users are climbing aboard private aircraft thanks to a range of affordable options that can be tailored to suit one's needs. These travelers are adding hours to the day and days to the week, while discovering additional benefits that transform travel from mere transportation to a life-enhancing experience. "When you spend a lot of time working, when it's time to relax, you want to get there and spend every minute you can enjoying it," says Jim Davidson.

Michael F. Shanahan, Jr., president and chief executive officer of independent insurance brokerage Huntley & McGehee, found his NetJets fractional share aircraft useful for his company that he purchased a 25-



"I think the market is changing quite fast in the sense that people are now realizing [that private jet travel] is actually a lot more affordable and accessible than they once thought it was."

ALEXANDRE MONNIER

General Manager, Bombardier Skyjet

SOMETHING FOR EVERYONE

"Private jet travel was for a long time considered an exclusive service for the rich and famous," says Alexandre Monnier, general manager of global charter and jet-card provider Bombardier Skyjet. "I think the market is changing quite fast in the sense that people are now realizing it is actually a lot more affordable and accessible than they once thought it was."

The Enlightened Personal Traveler is your guide to this world. It covers the access options, profiles the companies, talks to industry experts, hears from the people who are using private aviation and reveals what it's doing for their businesses and personal lives.

Marquis Jet Card for family travel. Now he separates his business and personal use and retains the same competency, service and quality that he is used to with NetJets. "Probably the worst thing about a family vacation is an aggravation of [commercial] travel — it's a nightmare," Shanahan, who has four young children. Reflecting on commercial airline experiences, he recalls, "By the time you got to the hotel, we were asking ourselves, 'What did we do this for?'" Using his Marquis Jet Card membership transforms a nine-hour trek to Bermuda into a pleasant two and a half hours, door to door. "We're just so much more relaxed because everything is taken care of," he says. "The vacation starts the moment they board their plane, not after they arrive."

It's not just a card.



It's a choice.

A choice to bring family together.

A choice to leave work behind.

A choice to celebrate what's most important.



As a Marquis Jet CardSM Owner, you get the uncompromising quality, consistency and safety of NetJets[®], 25 hours at a time. The best fleet, pilots and service in the world. Make the choice to accomplish more. Call 1.866.JET.3201 or visit MarquisJet.com.



THE ENLIGHTENED PERSONAL TRAVELER

TIME AFTER TIME: THE BENEFITS OF PRIVATE AVIATION

Yes, it's about time — saving it, enjoying it, using it for new things and for what you want to do more of, while eliminating the agonizing amount wasted in commercial air travel.

But there's also a great deal more to private aviation, and combined with the time savings, these benefits make the private aviation lifestyle about as close to heaven on earth as a traveler can get.

Flexibility — Private aviation gives users total flexibility, freeing them from the constraints of inconvenient airline routings and schedules and worries over cancelled flights or missed connections. You alone decide when and where you go or change the departure or return time easily, even at the last minute. "I'm in control of my schedule now," says Dave Borreson.

Convenience — There is no match for the convenience of private air travel. There are no lines in the private aviation world. Fractional ownership and jet card providers have service teams that work with individual clients, so in addition to a host

**"I have complete focus.
I travel without any
stress. And, I have
more creativity at
30,000 feet than I do
at sea level."**

TODD DUNCAN
Marquis Jet Card Member

of concierge services, all their preferences, from food and beverages to in-flight entertainment or business equipment required, are attended to before each flight. Now that he's experienced the convenience, Mark Carbone, division president of a New York City-based real estate firm, is using his CitationShares Vector JetCard with increased frequency. He just opted for another 20-hour card, a new offering from CitationShares. "We don't need to go to New York to get to the airport," he says. With a local airport just 20 minutes from his home, "We can get there within five minutes of departure time and go." And when you land, a rental car or limousine is waiting within a few steps of the aircraft.

"You just call and the plane shows up. You get on and go. You get off and that's it. You know how much it's going to cost, and you don't have any surprises afterwards," says Steve Boone, owner and

president of Northwest Harley Davidson, referring to his Flight Options JetPASS card. "You don't realize how convenient it is until you experience it," says Boone. "The convenience and freedom make a believer out of you."

Security and Safety — Security and safety, major concerns of air travelers, also help drive the migration to private aviation. Private aircraft are inherently more secure than commercial airliners since everyone knows who and what is on their airplane. Travelers' privacy is also zealously guarded by charter and fractional ownership firms, so one's comings and goings are strictly confidential. Security is handled behind the scenes with background checks and rigorous surveillance operations, not through intrusive physical screening.

As for safety, the top service providers have standards for crews and maintenance far above those required by federal regulation, and independent safety auditing companies can provide prospective customers with the necessary information to check the companies meeting the highest industry standards.



Productivity — For business users, time onboard an aircraft can be more valuable than time in the office because there are no distractions and no strangers to listen in on confidential discussions. Lecturer and best-selling author Todd Duncan uses his Marquis Jet Card for that purpose: "I'm able to work on the plane like nobody's business. I have no interruptions. I have complete focus. I travel without any stress. And, I have more creativity at 30,000 feet than I do at sea level."

It's an environment where you can be very productive or relax and unwind versus traveling commercially, which is debilitating downtime, emphasizes Michelle Boggs, president and chief executive officer of McKinley Marketing Partners, a leading provider of marketing contractors. Boggs flies privately using her 25-hour Bombardier Skyjet Card when it makes the most sense.



And to think,
Some frustrated guy is still waiting
barefoot to get through airport security.

Take the controls.

Fly the world's best selling airplane.

Visit us at cirrusdesign.com/iamnotthatguy
or call 888.759.0054 for a free demo flight.

THE MIND OF AN ENGINEER. THE HEART OF A PILOT.™



THE ENLIGHTENED PERSONAL TRAVELER

Accessibility — Scheduled airlines serve about 450 airports in the U.S., and 70% of all traffic is concentrated at just 30 of those, which means most airline flights require a time-consuming connection. Private aviation, on the other hand, has direct access to more than 5,000 airports. Wherever you happen to be, chances are there's an airport closer than the one served by an airline. Suddenly the entire country opens up and the traveler's entire concept of where he or she can go is transformed.

Express offers special benefits for Platinum Card® Centurion Card® members who book private jet service through six leading private jet companies: Bombardier SkyCitationShares, TAG Aviation, Sentient Jet, Delta AirElite and Le Bas International.

Joining exclusively with Bombardier Flexjet and Sky American Express recently announced a new kind of frequent flyer program called Private Jet Rewards. Card members enroll

"It's very convenient. We don't need to go to New York to get to the airport. We can get [to the local airport] within five minutes of departure time and go."

MARK CARBONE

CitationShares Vector JetCard Member

Life Enhancement — Many see the value of a private aircraft in terms of the benefits to their mental and physical states. "There is no wear and tear on your body when you travel this way," says entrepreneur and fitness expert Jake Steinfeld, chairman of Body By Jake Enterprises. He considers purchasing his Marquis Jet Card a life-changing experience. Steve Boone agrees: "It's the best way that I know to really enjoy life."

YOUR TICKET TO RIDE

Wherever you live, from Seattle to Sioux Falls to Sarasota, if you decide not to fly commercially, a lot of private aircraft travel alternatives are available, and they continue to evolve. A host of first-rate providers are bringing new products, opportunities and a wide variety of aircraft and services to the market through a rapidly expanding range of options including charter, jet card programs, fractional ownership and outright ownership. And for a growing number, one can earn a pilot's certificate, buy one of today's new piston-powered aircraft like the state-of-the-art Cirrus, which incorporates safety and operational enhancements once known only to airlines, and fly oneself to business meetings or on family vacations.

Now the process is even easier because fractional shares, jet cards and charter can be charged on American Express cards. In addition, through its Private Jet Services Program, American

in the Membership Rewards® program can now redeem points for \$5,000 credits toward a Bombardier Flexjet membership (25-hour increments in select Flexjet aircraft) or on-demand charter through Bombardier Skyjet.

WHOLE OWNERSHIP

While many prefer to own their own private jet, the cost of operational responsibilities and overheads (including hangarage, fuel maintenance and insurance) are a major capital investment. Although many large corporations handle in-house, a vast array of smaller companies and individuals choose to outsource these operational requirements to experts such as Aviation USA. As one of the world's leading charter and aircraft management firms, TAG has a 30-year, accident-free history, operates more than 150 aircraft worldwide with over 55 bases in the U.S. alone. TAG president and chief executive officer J. (Jake) Cartwright points out that with the comprehensive range of services his company provides, the owner has merely to pick up the phone and say when and where he or she wants to go. Not only does TAG look after every aspect of the operation, because of its volume purchasing ability for fuel, training, insurance, maintenance and other costs, the savings can be passed to the owner, reducing operating costs significantly. In addition, Cartwright emphasizes that if an aircraft is underutilized, TAG can market it for charter, and associated revenues can help reduce overall fixed costs.





The

winning

play.

Our roster of 35 PGA players includes the winners of 24 majors and many other familiar names on Tour leaderboards. Both power hitters and strategy players have two things in common: they know how to win, and they fly with the winner. They enjoy the industry's youngest fleet, highest residual value and best new programs. Contact CitationShares. That's the one you want.



CitationShares

ABOVE AND BEYOND

800.340.7767 x 121

CitationShares.com

©2003 CitationShares

THE ENLIGHTENED PERSONAL TRAVELER

FRACTIONAL PROGRAMS

Fractional ownership programs were designed for companies and individuals that want the service a business or private aircraft provides but that has modest utilization requirements, typically less than 200 to 300 hours per year, without the operational responsibilities. By acquiring a fractional share — as little as one-sixteenth (50 annual hours) — buyers gain all the tax benefits of ownership and are entitled to a set number of guaranteed hours per year for the five-year contract period. The fractional provider handles maintenance, crewing and scheduling, so all the buyer has to do is pick up the phone. In addition to the capital investment proportional to the share size, owners pay a monthly maintenance fee and an hourly charge for flight time, but only for time aboard.

Each of the handful of major fractional companies, such as NetJets, Bombardier Flexjet, Flight Options and CitationShares, is unique and differentiated by the aircraft in its fleets and service options; for example, the ability to use multiple aircraft simultaneously, to utilize more or less than the number of contracted hours in any year or the option to upgrade or downgrade to a larger or smaller aircraft as needed. That's been a benefit to sports agent David Falk, founder of SFX Basketball Group, Inc. Falk owns a fractional share in a Bombardier Flexjet large-cabin Challenger 300, but because of his varying travel needs he often

"Time is the most valuable thing in the world, and what private aviation does is give you time. It's given me the opportunity to run my business the way I need to and still spend as much quality time as possible with my family."

JIM DAVIDSON

Bombardier Skyjet Card Member

"trades down" to a smaller Learjet. "I use the Challenger for trips over three hours or for taking my entire family," he says. "But I really enjoy the Lear 60 on shorter trips."

NetJets, a Berkshire Hathaway company, invented the fractional ownership idea two decades ago. The company remains the largest provider with the widest range of aircraft choices. But in addition to fractional shares, NetJets has partnered with Marquis Jet, which offers NetJets aircraft in prepaid, single-price 25-hour chunks.

Bombardier Flexjet specializes exclusively in Bombardier aircraft, including a full line of Learjets and Challengers. Rob Knebel, Flexjet's vice president of sales, notes that with fractional ownership there are no positioning or deadhead fees as with traditional on-demand charter, and your aircraft is guaranteed when you want it, where you want it, anywhere across the nation. But Knebel also emphasizes that it can often be difficult to precisely estimate annual utilization, so Flexjet created the Versatility Plus program. This allows owners to sell unused hours or purchase needed hours from an owners' exchange pool and even buy time in an aircraft other than the one they own. The arrangement is perfect for important events, family reunions or holiday celebrations, for instance, where large-cabin aircraft might be needed for only a limited time.

This flexible program has paid off for Target Enterprises' chief executive officer David Bienstock, whose company owns a share in a Learjet 60. When a greater number are traveling, he trades up to a larger Challenger. "As an owner I get to buy up to 200 more hours in an aircraft of my choice, so it's really been something that has helped us tremendously," says Bienstock.

Flexjet has also waived peak travel day restrictions on the use of multiple aircraft. That means that while you may only own a fraction of an airplane, you can actually command a fleet of two or more. A great bonus when you're bringing family members together for holidays or for corporations flying board members in for meetings.



Flight Options, owned by Raytheon, offers a full range of small- to large-cabin aircraft choices, ranging from the popular Raytheon Hawker 400 XP through the midsize Hawker 800 and the fast Citation X to the ultra-large-cabin Embraer Legacy, which is priced like a midsize jet but boasts one of the most spacious business jet cabins. The large-cabin Legacy, which offers unprecedented reliability in high-utilization environments, has proven particularly popular with Flight Options owners. As a consequence, the company is selling shares as fast as it

What do you give the person who has everything?

The legend of Learjet.

roducing the Learjet Gift Card, available at the Learjetstore.com, where
can buy everything that is part of the legend of Learjet. The Gift Card,
ght to you by Bombardier Skyjet, delivers five hours of luxurious flying
in a light or mid-size Learjet. Give it to friends or family—with
pagne and limousine service that are all provided with our compliments.*

urchase the Learjet Gift Card, go online and experience the Learjetstore.com.
now you can pay for the Learjet Gift Card with seamless convenience
g the American Express® Card. And if your eligible American Express Card
olled in a rewards program, this will help your points balance soar.



Own the legend.

Buy your Learjet Gift Card and more at the Learjetstore.com
where the American Express Card is welcome.

Or call 866-867-7793.

BOMBARDIER
LEARJET
www.learjetstore.com



BOMBARDIER
SKYJET
www.skyjet.com

© 2005 Bombardier Inc. All rights reserved. Bombardier Skyjet and Learjet are registered trademarks of Bombardier Inc. and/or its subsidiaries.

* Selected Part 135 Operators, a part of the Skyjet Network, shall perform all flights.

THE ENLIGHTENED PERSONAL TRAVELER

deliver new aircraft. The spacious cabin provides three distinct areas, making it ideal for larger groups to travel with efficiency and comfort. While private jets are often referred to as offices in the sky, the Legacy is more like a hotel/office suite with wings. Flight Options is the exclusive fractional ownership provider of this unique aircraft. The company also uniquely offers a comboshare program in two different aircraft.

Most aircraft available for charter are owned by individuals or corporations that make them available when they would otherwise be in use. For top management companies like TAG, safety and security is the highest priority. Charter and maintenance aircraft are maintained and flown to the most rigorous industry standards, far in excess of regulatory requirements. "To assure the highest quality and service," says Wolin, "dedication to safety must be absolute. Safety is never negotiable under any circumstances."



"I found that I was creating hundreds of hours to put back in my life. I'm in control of my schedule now."

DAVE BORRESON

CitationShares

Fractional Share Owner

CitationShares, owned by Cessna Aircraft and TAG Aviation, confines its fleet to small- and midsize-cabin Cessna Citations that significantly lower the cost of entry into the world of private jet travel. These smaller aircraft are ideal for typical two- to three-hour flights; however, CitationShares recently added nonstop, coast-to-coast capability with its latest midsize Cessna Citation Sovereign. CitationShares is one of the only fractional providers to offer a 3/32nd (75 hours a year) share — a perfect fit for novelist J.A. Jance, who travels frequently on book tours to promote her latest thriller. "I was getting up at three or four o'clock in the morning to catch early [commercial] flights," she explains. Her husband conjectured there had to be a better way. A private jet, she says, "seemed like such an amazingly far-out idea for someone who's from the 'wrong side of the tracks' in Tucson, Arizona. But the more we talked about it, the more we realized that it is really an important part of our lives."

CHARTER

For occasional use, charter provides the ultimate in ease and flexibility, says Gil Wolin, TAG vice president of corporate communications. "You buy what you need whenever you need it, and you can charter once per week or once per year with no further commitment." Wolin points out that charter allows one to select an aircraft best suited for one's need based on the number of people traveling and how far they're going.

There are times when charter demand exceeds supply, making it necessary to draw upon outside resources. TAG works only with the industry's top charter providers, and these providers meet TAG's own high standards in addition to maintaining the highest ratings from recognized independent industry auditing firms such as Wyvern Consulting Ltd. and ARG/US.

Bombardier Skyjet contracts for charter in a competitive way, working only with a similarly elite group of the nation's very best charter providers. These companies are selected based on their ability to meet the industry's most demanding standards and adhere to Skyjet's own exacting requirements for top-quality service.

While on-demand charter may present the least costly method for obtaining private jet benefits, some possible drawbacks are repositioning fees payable for bringing the aircraft to the client and the return leg if the charter customer flies out of the area. The nation's top charter and fractional ownership organizations, however, found a solution to that with the jet card — the best idea yet for gaining the advantages of a private jet.

JET CARD PROGRAMS

Card programs combine the consistency and guaranteed availability of fractional programs with the simplicity and convenience of charter. Like prepaid debit cards, jet cards are issued in fixed-dollar denominations for use on a variety of aircraft types or hourly increments for specific aircraft types or categories. They

Personal Air Travel



Together, we make it happen.

World-class service for the personal air travel needs of the most experienced travelers is easier than ever with the winning combination of TAG Aviation and American Express. You select the aircraft, the schedule, and your companions for each flight. TAG ensures the safety, security, and convenience critical for today's travel. American Express makes payment easy.

It's simple; utilize TAG's expertise and the convenience of using your American Express card. One call does it all.



1-800-332-2145 ■ www.tagaviation.com

Personal Air Travel Solutions

Aircraft Charter Sales, Management, Acquisition and Sales



TAG Aviation USA, Inc. arranges charter travel on FAA-certificated and DOT-registered air carriers. CST 2078988-50.

New York 1-800-331-1930
Los Angeles 1-800-627-8465
Minneapolis 1-800-726-1673

jets@tagaviation.com
flybyjet@tagaviation.com
fly@tagaviation.com

San Francisco 1-800-332-2145
Houston 1-877-959-8200
Chicago 1-800-314-2131

charter@tagaviation.com
travel@tagaviation.com
flyjets@tagaviation.com

THE ENLIGHTENED PERSONAL TRAVELER

fractional ownership, there are no major long-term investment costs or monthly management fees. And unlike charter, there are no repositioning or empty leg costs. Each trip cost is deducted from the card balance, and flight charges are only for the time aboard based on know-before-you-go, one-way pricing.

Marquis Jet Cards, for example, are sold in 25-hour increments in a variety of NetJets aircraft, which are guaranteed when and where you need them. The convenience aspect is key for fitness expert Jake Steinfeld. "When I travel with the family I always travel with [my Marquis Jet Card]. It's the safest way to go, and with us, it's like a troop movement. Four kids, nannies, dogs. There's a lot going on. It's very easy to pack them up, load them up and we're on our way."

One New York-based commercial real estate developer with four teenage children long ago discovered the impracticality of flying the family commercially before or after Spring Break. Now he uses his Marquis Jet Card and travels to places he never would have considered before.

Todd Duncan loves Marquis Jet's flexibility. "I have complete access to the aircraft that I want, and if I need to upgrade [or downgrade to a smaller jet], I have the opportunity to do that." He adds, "Undeniably, it's one of the best investments that we ever made."

"It's the best way that I know to really enjoy life. You just call and the plane shows up. You get on and go. You get off and that's it. You know how much it's going to cost, and you don't have any surprises afterwards."

STEVE BOONE

Flight Options JetPASS Member

Flight Options introduced its own JetPASS 25-hour jet card, which has become a great success. Card members fly with crews and aircraft from the Flight Options fleet, unused hours are 100% refundable and the card has no expiration. "The JetPASS is a nice complement to the fractional program, as well as an attractive entry into private travel on a limited basis," says Flight Options' chief operating officer Michael Scheeringa. While the card is ideal for sampling Flight Options' service and aircraft choices, JetPASS can also supplement the needs of existing Flight Options owners who have short-term requirements for additional hours in the same or an alternative aircraft. Additionally, a jet card

program like JetPASS is perfect for companies wanting to segregate business and personal executive travel.

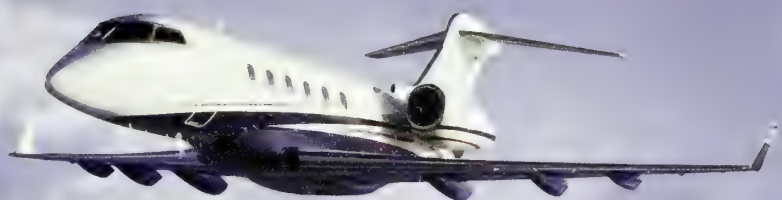
CitationShares' Vector JetCard works in a similar way, CitationShares reduced the entry cost even further with a 20-hour single-payment card available for any aircraft in its economically priced fleet of Cessna Citations. Golf and country club developer Jerry Ansel loves the convenience of CitationShares service. He often flies between properties in Boca Raton or Longboat Key, FL, and his home in East Hampton, NY, using his Vector JetCard. "It makes so much sense. All of the airports are five minutes away, and the trip is just over two hours door to door," he says.

TAG, one of the world's largest and most experienced flight management and charter companies, is also the newest entrant in the jet card marketplace. TAG recently launched its own flexible alternative to on-demand charter, the TAG Avia JetCard, bringing its premier brand of global jet service to an airport near you. One call and 12 hours notice is all that's needed for a guaranteed flight to or from anywhere in the nation. TAG experts are on hand 24 hours a day to help you select the aircraft for your needs and offer a highly personalized concierge service. Like most card programs, you pay only for the time aboard, so there are no positioning or empty leg fees and



surprises. But this new JetCard also offers round-trip as well as one-way pricing, reducing the cost even more for those who return within a defined time frame. The JetCard comes in increments of \$100,000, \$250,000 and \$500,000, and card members can select from seven groups of aircraft in four cabin-size categories. Charges are deducted from the card and full credit is given for any unused balance.

Bombardier Skyjet offers convenient, pay-as-you-go on-demand jet charter, but the company's flagship product is its own branded jet card, available in a variety of aircraft categories ranging from light, super-light, midsize, large or ultra-long range.



Dream it. Live it.



Private Jet Travel Designed Around You.

Bombardier Flexjet® gives you unprecedented flexibility when it comes to private jet travel. The Flexjet fractional ownership program lets you experience the advantages of owning a business jet with less cost and commitment. Only Flexjet lets you fly the exact hours you need, with the benefits you desire — all provided by the industry's best people delivering the highest standards of service. Now, in partnership with American Express®, Flexjet offers you the convenience of paying your fractional ownership fees with the Card. The Flexjet experience can also be enjoyed 24 hours at a time with the Flexjet Membership Card.† You can dream about travel like this. Or you can live it.

For details, call 1-800-FLEXJET or visit flexjet.com, where we warmly accept the American Express® Card.

BOMBARDIER



BOMBARDIER
FLEXJET.

THE ENLIGHTENED PERSONAL TRAVELER

In addition, Skyjet offers a Learjet or Challenger Card for those who wish to fly exclusively in those specific aircraft.

Instead of booking one trip at a time with varying rates and no guaranteed availability, Skyjet card members can reserve blocks of 25, 50, 100 or more hours, and pay a flat hourly rate for the hours flown. With just 12 hours' notice, an aircraft is guaranteed when and where you want it. There are no positioning or empty leg costs, so whether you fly one-way or round-trip, all flights are billed at the same "no-surprises" rate. And, if you need a smaller or larger aircraft, you can upgrade or downgrade using a simple conversion ratio. In addition, a dedicated Personal Jet Concierge will handle all of your travel needs with expert efficiency.

Rather than using a fractional ownership fleet, Skyjet utilizes a select group of the nation's top charter companies with the highest rankings for excellence in safety and service that meet Skyjet's own stringent safety and quality standards.

Marketing Partners' Michelle Boggs. "I have a home in Bermuda, and I often work there for extended periods of time," Boggs explained. "A majority of my flights are one-way, so I can stay in one place for a while and I'm billed for the hours flown."

DO IT YOURSELF

"How do you get more out of life? One way is by flying your own aircraft," says Alan Klapmeier, co-founder, president and chief executive officer of Duluth, MN-based Cirrus Design Corporation, manufacturer of Cirrus aircraft. The owner-flown market is attracting a growing number of personal travelers. Current generation piston-powered light aircraft, like the Cirrus, feature state-of-the-art avionics and comfortable interiors that rival those of any luxury car. Computer-based training and nonprofit groups like AOPA (www.aopa.org) and Be A Pilot (www.beapilot.org) have made learning to fly easier than ever. And while they

"This is the most exciting single acquisition I ever made. No speed limits. Convenience. Comfort. Safety. It is just fantastic."

LAUREN McCOLLUM
Cirrus Aircraft Owner

PUT A LEARJET IN YOUR STOCKING

For those looking for the ultimate gift in luxury air travel, Skyjet recently introduced the five-hour Learjet Gift Card — a perfect holiday gift for close (very close) friends, family or deserving employees. Available online at the Bombardier Learjet Store (www.learjetstore.com), the card includes five hours of one-way or round-trip travel in a light or midsize Learjet, plus catering and door-to-door limousine service. Purchases can be charged on American Express. It's a great way to bring family members together for the holidays, and also a perfect try-before-you-buy way to test Skyjet's exceptional service.

Unlike some charter and fractional ownership providers, Skyjet assesses no surcharges (known as ferry fees) for travel between any point in the U.S. and Bermuda, the Caribbean, Hawaii or Europe. That was a selling point for McKinley

go as fast as jets, for many trips under 500 to 1,000 miles a piston aircraft can be faster door to door than a commercial aircraft, thanks to the ability to show up, take off and access thousands of airports that are often much closer to one's final destination. "It's a fantastic example of freedom and productivity," says Klapmeier. "It's a huge asset for people who say they don't have enough time in their lives."

Santa Monica, CA-based property developer Lauren McCollum discovered this for herself. McCollum began flying at an early age, then let her skills fade. But after purchasing property in Mammoth Lakes in the California Sierras, she realized there must be a better way to get there than the treacherous six-hour drive. She completed her pilot training, purchased a new Cirrus and took the intensive four-day Cirrus indoctrination course. Now the trip to the mountains is 90 minutes' worth of pleasure. "It has completely changed the way we look at travel," she



One Day Closer.



Our Extended Service Area, with service to Mexico, Bermuda and the Caribbean with no ferry fees, is just one of the many new options we offer. Need more options? Our 75/25 Program combines two aircraft for the acquisition price of one. For your longer trips, simply request your larger jet. Call Flight Options today, so you can start packing tomorrow.

*PSA includes access to 48 contiguous states and extends to Cabo San Lucas.

877.703.2348 | www.flightoptions.com

Flight Options, LLC is an affiliate of Raytheon Company.

FLIGHT OPTIONS

On a Higher Plane

THE ENLIGHTENED PERSONAL TRAVELER

"Las Vegas, San Francisco and Phoenix are all an hour and a half away. This is the most exciting single acquisition I ever made. No speed limits. Convenience. Comfort. Safety. It is just fantastic."

BREAKTHROUGH TECHNOLOGY

McCollum refers to the Cirrus as "an elegant piece of aeronautical engineering." Along with the high-tech composite construction and full-color LCD cockpit instrumentation that rivals many airliners and corporate jets, Cirrus aircraft incorporate a ballistic parachute system that can be deployed in the event of a mechanical problem or other emergency. While this new light aircraft is about as sophisticated as it gets with moving navigation maps, real-time weather, traffic alerts and terrain warnings, Cirrus takes safety to an even higher level. The company developed its own airline-style, state-of-the-art training program that includes computer-based instruction, a network of 17 Cirrus Standardized Training Centers and more than 200 independent Cirrus-trained instructors to help owners develop decision-making skills, perfect their flying ability and gain experience with the aircraft and systems.

Dikran Yacoubian, chief technology officer and executive vice president of Columbia, SC-headquartered Subscriberbase Inc., owns a Marquis Jet Card and a CitationShares Vector JetCard. But, despite his ability to jet anywhere across the nation, he and his company president each own a Cirrus SR 22, which they use frequently for business and pleasure.

Yacoubian uses his jet cards sparingly, and unless a number of people are flying to the same destination, he'll consider a commercial flight. But flying commercially is neither fun nor fast (most flights from Columbia require an interim stop), so for many trips he hops in the Cirrus. "We can be in New York, Memphis or Miami in three hours, and Washington, DC, is two hours away," he says. His Cirrus beats airline times by a wide margin. Interestingly, both owners are still student pilots and hired Cirrus-trained professionals to fly for them as they learn, underscoring that you don't have to be a pilot to take advantage of a plane of your own.

ON THE NEAR HORIZON

Visionary Vern Raburn launched a revolution in private jet travel when he conceived the Eclipse 500 very light jet (VLJ) at a cost of around \$1.3 million, currently about one-third the price of the least expensive jet on the market. The new Eclipse 500, designed for six, can fly at 430 mph and altitudes of 41,000 feet. This new jet will make its debut in early 2006.

Brazilian manufacturer Embraer also threw its hat in the VLJ ring announcing a family of small jets, including a VLJ that is anticipated to be the largest of those in the current market race. The new Embraer model, expected to enter service in mid-2008, will offer seating for eight plus a private lavatory. The Embraer VLJ and its larger siblings are based on Embraer's decades of manufacturing experience in the regional airliner market and its ability to produce an aircraft specifically designed for high

utilization. Embraer, like Eclipse, believes that attractive, affordable pricing will draw a vast new audience to the VLJ market, including small businesses and individuals who in the past could only dream about owning or flying their own private jet. The company also anticipates that the VLJ will spawn a new air taxi market where travelers pay by the seat, not by the airplane, and will be able to connect from major airline hubs to local communities across the nation that are forsaken by commercial airline service.



THE FUTURE

A new era is dawning as yet another generation of low-cost, state-of-the-art aircraft are coming to market, together with innovative, cost-effective ways to access them. Whether used for business travel, personal travel or both, private aviation will transform the lives of a growing number of travelers. As Jim Davidson sums up, "It's given me the opportunity to run my business the way I need to and still spend as much quality time as possible with family. To me, that's huge." Todd Duncan concurs: "It's priceless."

The future of personal travel is here. Welcome aboard.

Written and Produced by:

Mark Patiky
mpatiky@bellsouth.net

Associate Writers:

James Wynbrandt/Dale Smith

Principal photography:

Michael Melford

Editor: Allison Lurker

Designer: Jon Prinsky

For further information:

AOPA

(Aircraft Owners
and Pilots Association)
www.aopa.org

GAMA

(General Aviation
Manufacturers Association)
www.gama.aero

Be A Pilot

www.beapilot.com

NBAA

(National Business
Aviation Association)
www.nbaa.org

The new Phenom™ 100: Humanizing the A to B experience is its mission.

The coming of very light jets changes the future of aviation. Of all the advantages projected for this new world, one thing was missing – comfort. In the Phenom 100, Embraer adds the human dimension to very light jets. The space-enhancing Oval Lite™ shape creates the most comfortable cabin in the class. The single-pilot capable, all-glass flight deck and a rear lavatory add even more appeal. Performance is impressive, and Embraer's high-utilization expertise brings another dimension – readiness when you need to fly. For information, call 954-359-JETS (U.S.) or visit www.embraerexecutivejets.com.

BRAZIL (+55 12) 3927 3399 » EUROPE (+33 1) 49 38 44 44 » ASIA PACIFIC (+65) 6734 4321 » CHINA (+86 10) 6505 5045

PHENOM™ 100
BY EMBRAER

The art of humaneering.



EMBRAER FAMILY OF EXECUTIVE JETS » THE PHENOM 100 » THE PHENOM 300 » THE LEGACY 600



12 Gifts



Of Christmas

PHOTOGRAPHS BY RON REEVES • PRODUCED BY MARK GRISCHKE

1

The Bentley Continental Flying Spur is the four-door stablemate of the exquisitely designed Continental GT coupe. If you trust your driver, stretch out in the commodious rear seat and let the 552 hp twin-turbo, W-12 engine move you along smartly to 198 mph. \$165,000. www.bentleymotors.com.





2

You want to give her the moon and stars, but she'd probably prefer jewelry. Satisfy both whims with this celestial necklace from Cartier: glittering diamonds and glowing pearls strung together on platinum wire. \$1,975,000, at select Cartier boutiques. (800) CARTIER, www.cartier.com.



Much has been made of the distinction between English and American Western styles of horsemanship, but as Mr. Ed himself once sang, "A horse is a horse...." Now Hermès, the most rarefied of saddle makers, has embraced the same humble truth with the introduction of its limited-edition Cielo pleasure saddle. The Cielo combines the finest traditional methods of English saddle-making with the sturdy profile of an Australian stock saddle and a modicum of decorative Western detailing. The result is a hybrid that delivers superb comfort and security for the rider, plus the artistry and elegance for which Hermès is famous.

\$10,000. (212) 812-1873.





4

Most LCD televisions employ "cold cathode fluorescent" systems, in which a single white light passes through colored filters onto a screen. For the Qualia 005, Sony has developed a technology called Triluminos, a system of three lights—tinted red, green and blue—each beaming separately onto a 46-inch screen. The result is a brighter image, a broader color depth and a whopping resolution of 1920 x 1080. That high-definition fish tank video has never looked better. \$15,000. www.qualia.sony.us.

5

Serious gamesmanship: Prada's magnetized steel-and-wood checkers set is so handsome, you'll want to display it like a piece of art. \$2,065, at select Prada stores. (888) 977-1900.





Vladimir Rigoletto's Pianno armchair evinces a singular blend of sexy futurism and handcrafted rusticity that has aficionados of contemporary design talking about the advent of collectible Brazilian furniture. With a nod to Santiago Calatrava's skeletal forms and Frank Gehry's bentwood hockey-stick chairs, the Pianno has a sinewy masculinity that will assert itself in a variety of sophisticated settings. Available in recycled and certified Angico Preto and Sucupira hardwoods. \$2,600. Eco 21. (415) 255-0992, www.eco21usa.com.

7

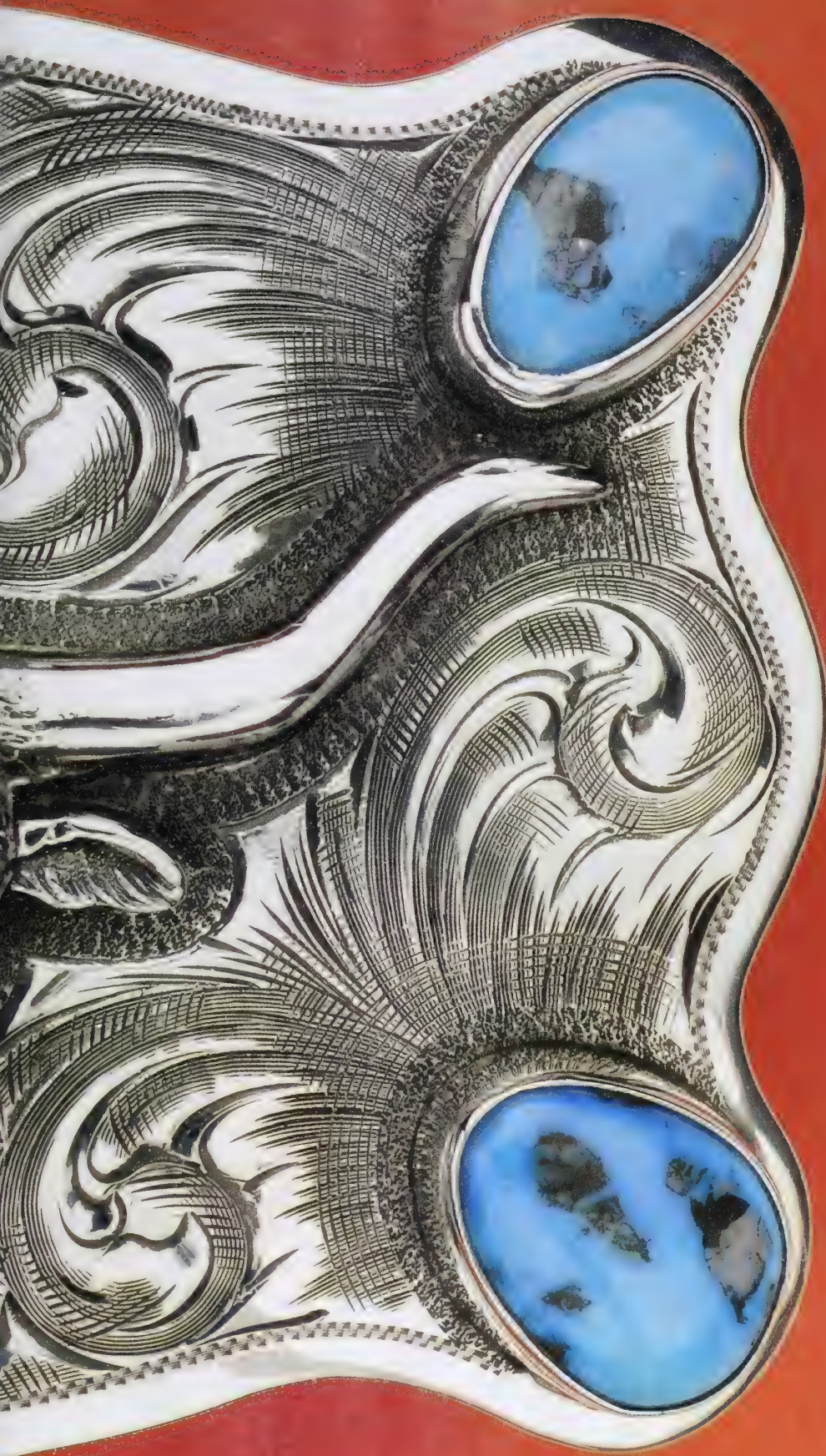
The Napa Valley Reserve is the wine world's most elite fantasy camp. For an initiation deposit of \$140,000 (plus annual dues and per-bottle costs), you get the right to work several vine rows and shepherd your precious cabernet sauvignon and merlot berries through harvesting, fermentation, barreling and bottling. The venture, with its 50-acre vineyard, chic clubhouse facilities, winery and an upcoming 37,000-square-foot cave, is the brainchild of magnate H. William Harlan, owner of the legendary Meadowood Resort up the road and, of course, of the iconic Harlan Estate winery, whose presiding genius, Bob Levy, will see that your own grapes don't wander too far afield from wonderful. *The Napa Valley Reserve*, (707) 968-3190, www.thenapavalleyreserve.com.





of the company's 250th
 anniversary, the artisans at
 Vacheron Constantin have
 created a série unique certain
 to any collector. The
 Métiers d'Art collection, from
 the company's "anniversary
 pieces," symbolizes
 a chariot ride through the
 seasons—Winter (shown)
 covered in snow with diamonds—
 available in a limited run
 of 100. Métiers d'Art: Winter,
 part of a set of four seasons,
 ref. 8888, 8888-1755,
 vacheron-constantin.com





Prior to 1900, cowboys used suspenders to hold their denims up. It wasn't until Western movies came along that the distinctive buckle rose to prominence, meaning that any buckle dating to the 1940s is regarded as vintage. And one of the best selections to be seen is at Beal's Cowboy Buckles, where you can find works by some of the West's most skilled silversmiths. Prices range from \$25 to \$3,000. Pictured: Scalloped Longhorn Silver with Turquoise, \$950. www.bealscowboybuckles.com.



10

Trooper hats—those big fur numbers with ear flaps that tie up—are fashion must-haves this season. EKS0's pink fox version keeps you toasty-warm and is guaranteed to stand out in a crowd of grays and browns. \$750, at Alex and

New York. (212) 868-10

the Venetian jeweler
brooches adorned
of Diana Vreeland,
Kelly and Elizabeth Taylor.
creates extravagant
for the home. These sea
-shaped salt and
r pots, in silver gilt with
, will make any table
dressed for the holidays.
0 for the pair, at
New York. (212) 974-
www.nardi-venezia.com

11

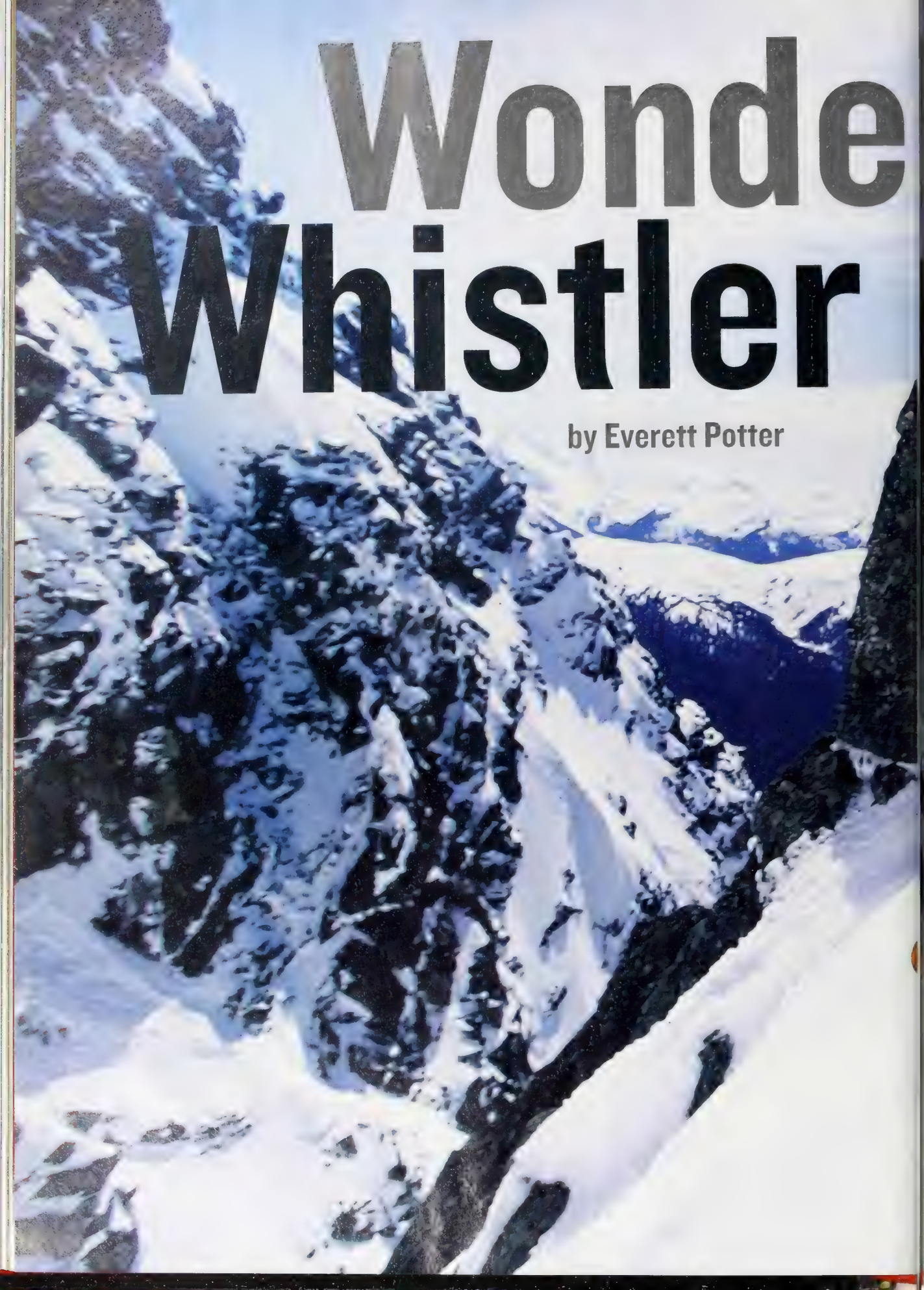


Two or even 200. As Harley,
Honda or Yamaha have no more
opponents, they've tried to
take the crown. Today they
don't. Consider the
Roadliner S, the vanguard
of Yamaha's stand alone
premium brand, Star
Motorcycles. The Roadliner's
100 hp, air-cooled V-twin
engine purrs as seductively
as a mistress at Tiffany's, and
it glides effortlessly on the
interstate due to its low center
of gravity, quick acceleration
and lightweight aluminum frame.
For a mere \$14,780, we'd
put the Roadliner in a beauty
contest with a Harley any day.
www.yamaha-motor.com/star.

12







Wonde Whistler

by Everett Potter



It's the biggest ski resort in North America—with the lowest profile—but Whistler wants to be known for more than just its powder.

I HEARD THE UNMISTAKABLE SONIC SCRAPING OF AN INCOMING snowboarder on Blackcomb Mountain long before I saw him. Wearing a white outfit emblazoned with thunderbolts and riding a snowboard with shiny gold bindings, he looked like a character from a Japanese anime cartoon. ● “Excuse me—Die Hard?” he asked, with an accent that suggested he had deplaned from Tokyo about five minutes earlier. ● He hadn’t mistaken me for Bruce Willis. He was looking for a run by that name, a run that was in fact on Whistler Mountain, the other mountain at this gargantuan resort. Frankly, I would have needed access to MapQuest to guide him there. So I capped the exchange with a “No,” and he left at a speed suggesting that his snowboard was a distant cousin to a Kawasaki. ● Whistler and Blackcomb are indeed enormous ski mountains that sit side-by-side with a sprawling series of villages at their base. Collectively known as “Whistler,” this Canadian giant 75 miles north of Vancouver claims the prize as the largest ski resort in North America. And with about two million visitors a year, it’s arguably the most popular as well. After the XXI Olympic Winter Games roll into town in 2010, who knows what that number will be? ● My Japanese questioner was not an anomaly at this most international of ski resorts. Loads of colorfully festooned folks from Osaka and Kyoto are here, as is a cache of good sushi bars such as Sushi Village to keep them sated. There are

cheery lifties from Sydney and Auckland. Whistler also draws large numbers of well-heeled American families, including part-time resident Bill Gates. It may have some of the priciest ski facilities in Canada, but that country remains one of the few places where our punch-drunk greenbacks have any clout at all. And then there's the glitterati, a motley collection of exceptionally picky resort-goers from the Continent who have discovered that they can sleep, dine and ski here for a lot less than they can in Europe. Among them is supermodel Heidi Klum, who got engaged to the singer Seal atop a neighboring peak the week

erally stay on the lower parts of the mountains, intermediates roam widely and experts can exhaust themselves on the upper reaches. Whistler, which averages 30 feet of snow a year, is one of those rare mountains where there truly is something for every skier or snowboarder.

At the base of these behemoths are three villages: Whistler Village, Upper Village and Creekside. And to be charitable, they are not beautiful places. With their clean lines and resort-class facades, the towns exude the spirit of IntraWest, the company responsible for much of the real estate here. Built from scratch



before I arrived. Prince Charles and his boys were here in 1998. And because Vancouver has turned into Hollywood North, there's an L.A. vibe that manages to mingle with the B.C. skidude ambience. No other North American resort has such multinational flavor.

You can get a sense of Whistler's size by glancing at what locals refer to as their "mountain atlas," since a mere "trail map" wouldn't suffice for a place this enormous. Whistler boasts the biggest vertical rise in North America, at 5,280 feet, as well as the most terrain, some 8,171 acres. For comparison's sake, Vail, the best we can muster in the States, has a 3,450-foot vertical rise and 5,289 acres. And those extra numbers mean a great deal. At Whistler, on a good snow day, it can take you 30 minutes to go top to bottom if you're an average skier. In the springtime, figure on more time, starting at the top of Blackcomb glacier and skiing through fresh powder. Catch your breath and then cut through heavier crud before carving your way onto some virgin corduroy cruisers. Two thirds of the way down, you'll encounter a minefield of moguls comprised of six months of slush, a workout that will leave you at a base village where the pavement is dry, the sun is shining and the terraces are filled with an early après-ski crowd working on a few mugs of Alexander Keith's, a beer said to be "The Pride of Nova Scotia." Have one; you've just negotiated four climatic zones in half an hour.

The numbers go on. Whistler has 37 lifts, more than 200 trails for all abilities, five terrain parks and a large variety of chutes, bowls, glades and that wonderful glacier. Beginners gen-

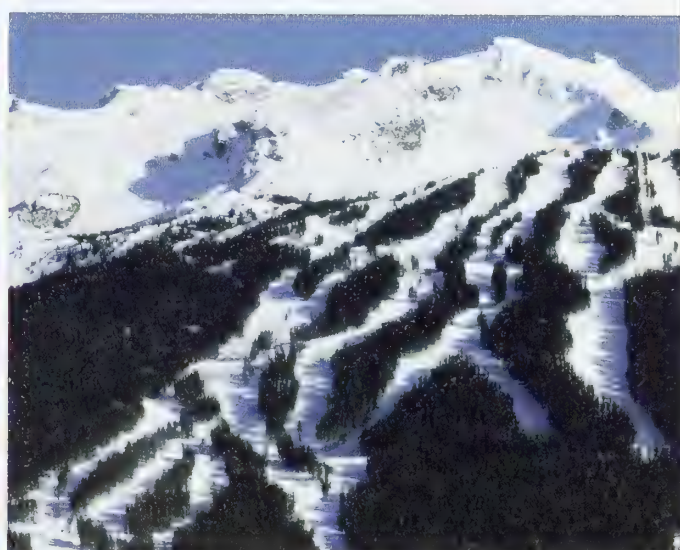
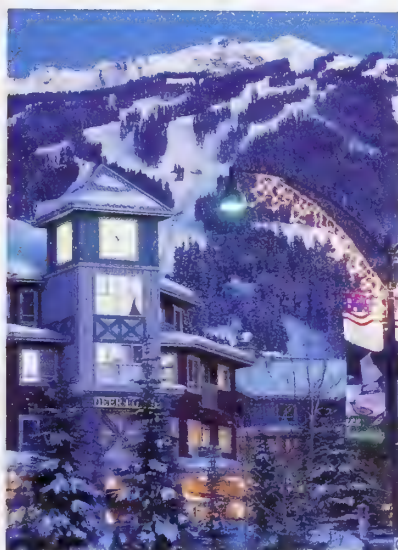
erally stay on the lower parts of the mountains, intermediates roam widely and experts can exhaust themselves on the upper reaches. Whistler, which averages 30 feet of snow a year, is one of those rare mountains where there truly is something for every skier or snowboarder.

Oddly enough, all of this works pretty well. You don't come to Whistler for "quaint." You come here because you can ski your brains out, rent your Helly Hansen gear, wear your Marc Jacobs boots and eat a three-course Quebec foie gras menu at Après, one of the finest ski town restaurants in the world.

I spent a morning in the tracks of Eric Pehota, a gentle giant on boards that seemed barely shorter than the lodgepole pines flanking Whistler's slopes. A renowned free-skier, Pehota has been skiing here since people were exercising squatter's rights on the land, just more than two decades ago. And he's made "some bank," as they say here, by jumping out of helicopters with his on for Toyota and Pepsi commercials.

"Let's get on the gondy," he said, as we lined up for the Whistler Village Gondola. It was snowing hard, and when it wasn't snowing, the skies were gray. This is the Pacific Northwest after all, and Pehota noted that "we get about 29 sunny days a winter" as if it was something to brag about. He gave me a locals' tour in Whistler Bowl, and we wound up back in the village at the Garibaldi Lift Co. Bar & Grill. It's rowdier than any après-ski place in the States, with delicacies such as

You don't come to Whistler for jaunt." You come because you can ski your brains out.



" sort of a Canadian fondue in a
The restroom doors are marked
ontage photos of the Trudeaus, a
indicator that you're above the
parallel.

sharp contrast were my digs, at
v Four Seasons Resort Whistler.

otel is in Upper Village, a five-minute walk (or two-minute
ride) to the lifts and about a 15-minute stroll to the ac-
Whistler Village. A Zen-like lobby area, done with earth
has a sophisticated feel that extends to Fifty Two 80, the
bistro and bar, which would look at home in Berlin or
a. The 273 rooms are classic Four Seasons comfort zones,
as fireplaces, DVD players, the proverbial mattress from
and a spacious bath with soaker tub. The ski shop looks
Prada showroom, and your gear will magically appear the
orning at the hotel's slope-side Ski Concierge building.
Fairmont Château Whistler, also in Upper Village, is not a
oice, though at 550 rooms, be wary of name-tagged
. A good option in the heart of the Whistler Village ac-
the Sundial, a 49-suite hotel with kitchens and gas fire-
And opening soon is the Adara Hotel, with another 41
and suites, which lays claim to the distinction of being the
first "designer boutique" hotel.

r a long day, head to Garibaldi's or Monk's or Dubh Linn
ne of those instant "antique" pubs where two well-poured
ill make you think you're back in Galway. In the evening,

Left to right: O Canada!;
time out at the bottom
of a run; the Champagne
bar at Bearfoot Bistro;
the Deer Lodge after dusk;
ski runs carved into
Blackcomb Mountain.

I'd make dinner plans at the aforementioned Après, which main-
tains more than 50 wines by the glass, many of them the aston-
ishingly good B.C. chardonnays and sauvignon blancs. Or book
a table at the Bearfoot Bistro, where owner André St. Jacques
likes to behead bottles of Champagne with a sword. While your
mouth is still open, decide on Vancouver Island black cod or wild
Arctic caribou loin. These restaurants give Araxi, long Whistler's
top dining establishment, a run for its loonie. If you need more
than a glass of Okanagan Valley ice wine to cap the evening, find
your inner dancer at Garfinkel's, Moe Joe's or the Savage Beagle.
And don't plan to be on the first chair the next morning.

As for the Olympics, the buzz is everywhere, even if con-
struction is not. A nordic center and tracks for bobsled and luge
will be built in the next two years (though you can ski the down-
hill runs right now). Meanwhile the Sea to Sky Highway from
Vancouver will also be widened, probably the only thing that
would slow you down. But Whistler itself won't change that
much. The most carefully planned ski resort in the world, already
at 90 percent of build-out, was constructed with the idea that it
would host the Olympics one day. Clearly, it's almost ready. •

Four Seasons Resort Whistler: about \$420 to \$2,400, (888) 935-2460, www.fourseasons.com/whistler. Fairmont Château Whistler: about \$430 to \$1,500, (800) 257-7544, www.fairmont.com/whistler. Sundial Boutique Hotel: about \$380 to \$720, (800) 661-2321, www.sundialhotel.com. Adara Hotel Whistler: about \$330 to \$930, (866) 50-ADARA, www.adarahotel.com. All prices are winter rates.



You can hike anywhere in these new **TUBBS ELEVATION SNOWSHOES**, thanks to their light weight and a toe design that fully pivots for maximum crampon penetration. But where to hike, you ask? Check out Tubbs's travel website, www.tubbsrailnet.com, for snowshoeing tips and trails around the world, even Antarctica. \$240-\$290, depending on size (men's and women's). www.tubbs snowshoes.com.



A decade is an eternity in snowboard years, and yet **K2'S** flagship **ZEPPELIN** is back for its tenth anniversary. This time it has new titanium-aluminum Power Forks at both ends for speed and edge control. Flashing that classic fleur-de-lis pattern when you're catching some air is pretty cool, too. \$480. www.k2 snowboarding.com.



When you buy the **SKI & SNOWBOARD GOLD PASS**, you get a season-long lift ticket for more than 260 resorts in the United States, including Squaw Valley, Vail, Snowbird and Stratton Mountain. You bring this medallion with you. Your purchase helps raise \$2 million for our Olympic athletes. It's partially tax deductible. \$6,000; quantities limited. (800) 9P



This year's winter gear is all about style and performance.

BY MATTHEW REED BAKER

MR. SNOW



Designed with the help of alpinist and technical advisor Minna Riihimäki, **EIDER'S Yael Jacket** for men (called Yula for women) features Gore-Tex Softshell Catania, sealed seams and laser-cut waterproof zippers. \$548. Available in pearl-gray/cassis, black and black/orange. www.eider-world.com.



Outside, these **ADHATTER** gloves support a supple and stretchy fit. On the inside, they're waterproof for when it's damn cold. Available in four color options. \$55. 800-611-7333. www.alpinasports.com.



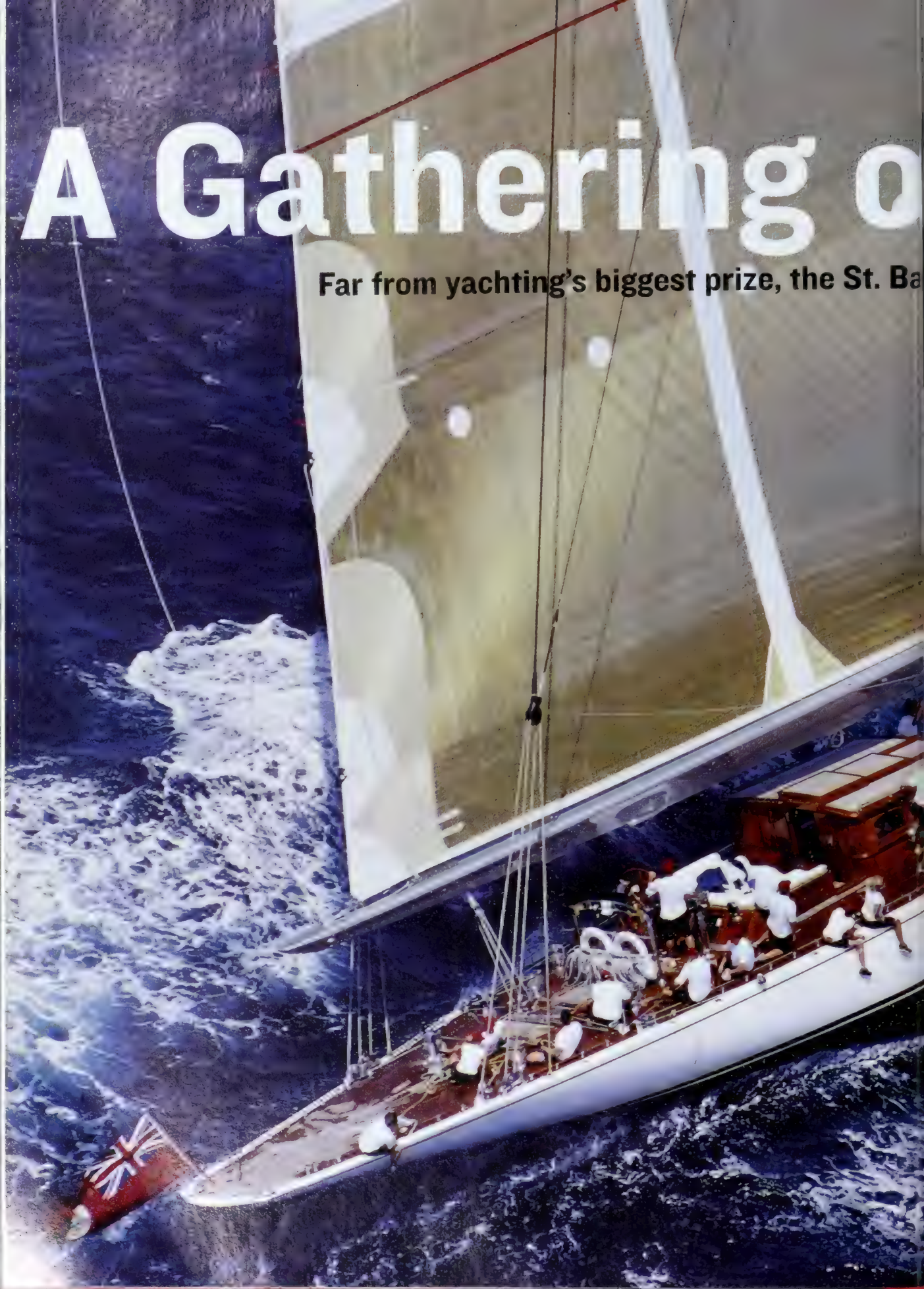
These **ALPINA CONTROL CROSS-COUNTRY TOURING SKIS** don't need to be waxed: Just clip them on and glide away, no matter the snow conditions. They have a wood-core cap construction, and their new Scuff Tough surface shakes off the snow and reduces scratches from icy trails. Skis, \$135; bindings, \$42; boots, \$115. www.alpinasports.com.

TALL

PHOTOGRAPHS BY RON REEVES

A Gathering o

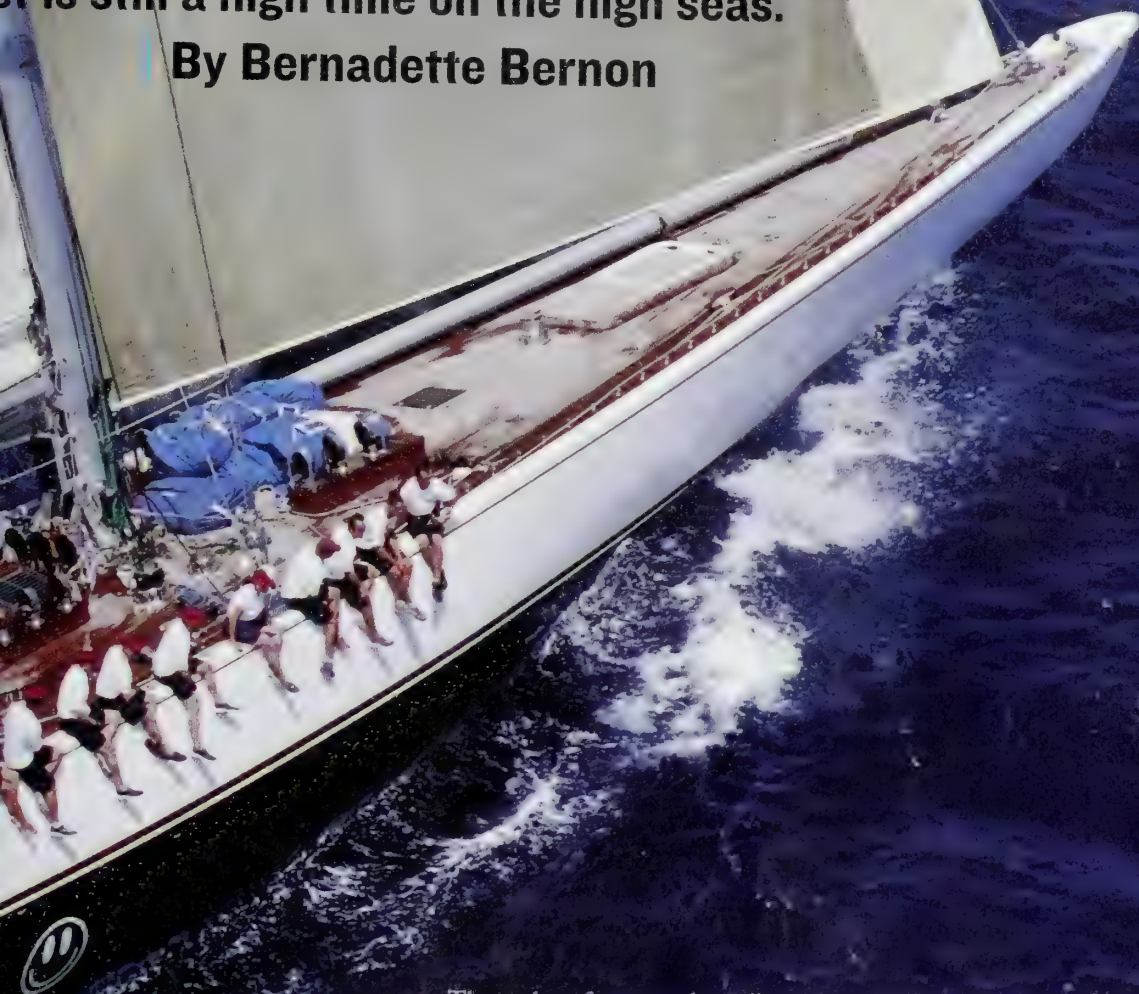
Far from yachting's biggest prize, the St. Ba



Swell

et is still a high time on the high seas.

By Bernadette Bernon



Sea legs: the crew of the *Ranger* hangs out.

The realm of megayacht sailboats is a small and exclusive one: Paparazzi are shunned, privacy is paramount and owners rarely come together to race. But every April, against the backdrop of the red-tiled rooftops and lavish villas of Saint-Barthélemy—the Saint-Tropez of the Caribbean—those same megayachts gather, the Champagne flows and the steroidal sailing known as the St. Barth's Bucket commences. ● The race started as a gentlemanly match for dragging rights in 1986, in Nantucket, Massachusetts—now it's an invitation-only regatta run by owners, for owners. The rules are simple: safety first, and anyone handling their yacht in "less than a gentlemanly fashion" will be excused. The Bucket itself is a perpetual trophy (its winner doesn't actually get to take it home) that, according to lore, was bought by one of the race's major supporters in Marseilles, France, where it started life as a spittoon. ● Twenty years on, a few aspects of the race have gotten, well, serious. Some owners now import professional sailboat racers, such as Kenny Read and Robbie Doyle, to enhance the skill set of their crew. And the race committee has developed an ever-changing

PHOTOGRAPHS BY CRAIG DAVIS

The Bucket is a perpetual tr



Clockwise from top left: the harbor at Gustavia; Bucket winner *Freedom of Flight*; *Sojana* slices through the surf; *Victoria of Strathearn* at full sail; a dog day afternoon.

handicapping system of staggered starting-line times—a diplomatic choreography that would have challenged Metternich—all these pricey behemoths don't threaten one another when the gun goes off. (Regatta organizer Hank Halsted, president of Northrop and Johnson in Newport, Rhode Island, reckoned the value of this year's fleet of 28 boats to be about \$450 million.)

Yet many of the cozy, casual traditions remain. For instance, a vessel can garner a more advantageous rating from the handicappers—informally, of course—if its owner throws one or two daily après-race windings. These are not your normal business and-dip affairs: Last year, Ron Joyce, owner of the 138-

according to lore, started life as a spittoon.



ation Fox Harb'r, flew in fresh lobster and oysters from
e Edward Island, Canada. And Joe Vittoria's 247-foot
ella V, the largest sloop in the world, provided a humble but
ate location for the skippers' meeting.

the race itself comprised three days of competition, 600 sailors,
chts from 78 to 247 feet vying for awards such as the 20-kilo
Swiss Cow Bell (basically a congeniality award) and the cov-
scargot Trophy (for last place). Day One features a 24-mile
quainted sail around the island in which captains familiar-
emselves with big crews and tight-quarters maneuvering.
Two is the real deal, a tacking duel where everyone slices
nd forth in front of one another, then sprints toward the fin-
he final day concludes with a clockwise dash around the is-
The overall winner in 2005: Sam Byrne's 124-foot ketch

Freedom of Flight. Second place went to David Leuschen's 84-foot
Metolius, and third to the 130-foot *Sariyah*, chartered by Cortright
Wetherill, Jr., then on the block for \$8.5 million.

Halsted had a few anxious moments. "There simply cannot
be a collision of any kind," he said. "These are huge boats, har-
nessing massive power, and this is a high-testosterone fleet."
One boat temporarily lost a crewman while setting their spin-
naker—he was launched overboard by the mere flick of a flailing
line—while another went "briefly" aground. Fortunately, the only
injuries were ones of pride, and no one was late for cocktails. •

*Many boats in the St. Barth's Bucket are available for charter; see
page 97 for details on the 116-foot Whisper. The Newport Bucket, a
sister race, is held every July.*

TO

for & Value

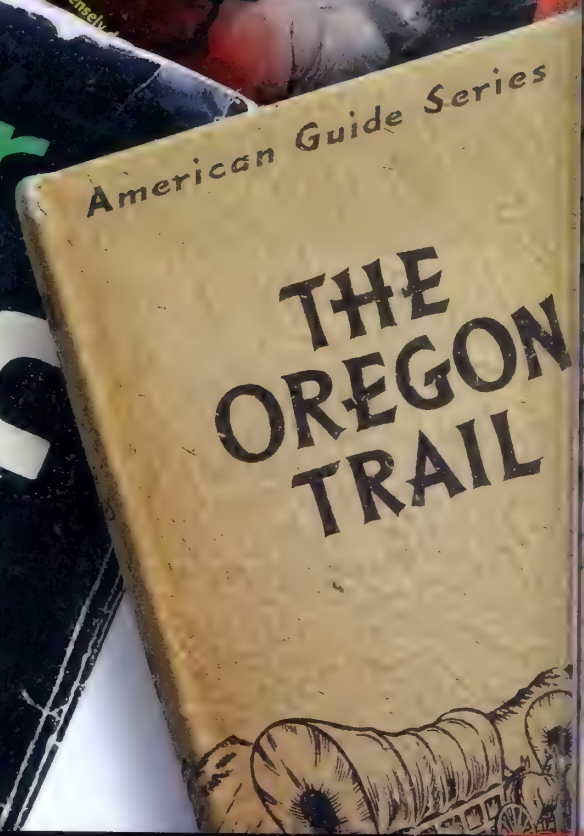
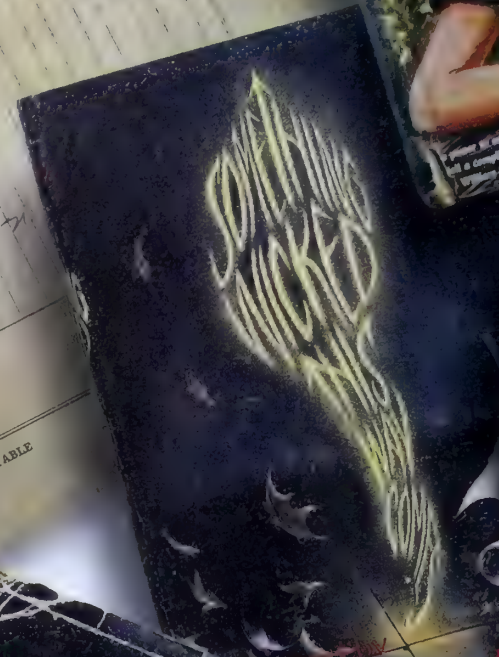
Room Service

Telegrams & Cables

Telephone Calls

Value

BILLS ARE DUE PAYABLE WEEKLY



MY FATHER'S LIBRARY

THE MAN SPENT A LIFETIME COLLECTING THE BOOKS THAT WOULD TEACH HIS SON ABOUT THE WORLD—EVEN AFTER THEY STARTED DISAPPEARING.

Finn-Olaf Jones

*...him that stealeth,
borroweth and
burneth not, this
book from its owner,
it change into a
pent in his hand
d rend him...Let
bookworms gnaw
entrails...let
the flames of Hell
consume him forever."*

AUTIONARY GREETING AT
THE MONASTERY OF SAN
PEDRO, BARCELONA, SPAIN

During the months after my father's debilitating stroke, his second wife divorced him, his bank accounts were emptied, his furniture disappeared, the cat ran away and a trio of booksellers purchased his book collection. When my father eventually regained his senses, he telephoned me with what really bothered him: "Where the hell are my books?" ¶ My father's lifelong relationship with books mirrored Hugh Hefner's relationship with bimbos; day and night, he always had to have several within reach. He slept with a pile of them on his bed. He drove with a couple of them open on the seat next to him. While traveling, someone, usually the smallest in the family, had to trail him with a book bag as if it were the President's nuclear football. ¶ A mental snapshot of him conjures not a face but a ribbon of pipe smoke emanating from behind an open volume, an omnipresent red pen poised in midair for the next margin note. He had some 30,000 victims to thus deface—more than two books for every letter in this article—the fruits of a lifelong delusion that everything with a binding belonged to him, and if it didn't, it should. During the course of 70 years of collecting, an indecent number of library books, hymnals and other items of dubious provenance found their way onto his shelves. ¶ Dad never drove a new car in his life. He reused his coffee grounds. He always flew coach. But he never saw a book he didn't want to buy. His best friends were book people, and whenever he entered a bookstore, he was greeted like a favorite relative come to pay the rent.

Pulp has been running in the Jones family's veins ever since my great-grandfather, one Herschel V. Jones, left the no-horse-town of Jefferson, New York, in 1883 with the stated purpose of creating "the world's greatest private library." It seems a far-fetched ambition for a poor boy, but according to his biographer, he "acquired during his lifetime four notable book collections," including the most lauded private collection of Americana in this country. "He was referred to as 'The Miracle Man' by his generation of book collectors." To this day, the strategic name-dropping of my great-grandfather in a rare bookshop opens the liquor cabinet.

Like drug addiction and poor pronunciation, book collecting is one of those sins prone to be passed from generation to generation. My grandfather, Carl Jones, even published the stuff in his home—a kind of literary moonshine. His high-grade history and magic books still enjoy cult status. For my father, it must have been like growing up in a crystal meth lab, with all the tweedy chain-smoking book pushers hanging out in his childhood home. Dad never had a chance. At first he was hooked on the quality stuff: 19th- and 20th-century classics, history and science fiction. Then his habit got expensive, with letters, manuscripts and first editions. Later in life he reverted to paperbacks, newspapers and endless magazine subscriptions—the crack of bibliophiles.

He cut it all with memorabilia. Writers' personal possessions mingled with ours as if their owners lived with us. Hemingway's skis with leather bindings sat next to ours in the garage rafters. I was greeted every morning in the hallway by a full-length signed photo of Zane Grey with giant tuna. I watched TV in the remote exile of our basement while sitting on Charles Dickens's stiff-backed writing chair. When choosing nails from the toolbox, I had to avoid using the large rusty ones from Jack London's ranch in Sonoma. His Dictaphone rested on the stair landing.

When I was still young enough not to repeat tales like this to my mother, Dad brought me to Sonoma to visit a fellow Jack London fanatic with a bookstore right next to the Jack London Ranch. "Here's something for the collection," Dad's jovial book pal said, pulling out from his desk drawer a large clear plastic bag filled with gray powder. "Jack's niece," he announced. "She died without any relatives, so now I've got her remains." Dad examined the proffered bag with fascination. The air between the two men filled with unspoken genetic speculations, price calculations and home-storage ideas. One of them—I'd like to remember it as being Dad—finally broke the

silence: "Probably best to spread them over his grave?" should be a punctuation mark for regret.

But Dad had his home runs. Shortly after Ernest Hemingway died in 1961, Dad beelined it to Key West, Florida, where he knew Hemingway had stored his papers before moving to Cuba. The items were kept in a closet belonging to a former bartender from Sloppy Joe's. The estate executors had already gone through everything and the barkeep was about to throw the rest out. Dad bought it all sight unseen. Contents included keys, fan letters, ticket stubs, old bills and other junk. There were also story doodlings going back to high school, a manuscript for an unpublished story and a few dozen cash checks. The checks currently go for more than \$1,000 each. Another time, he noticed the carefully preserved love letters of one Agnes von Kurowsky in a Sotheby's catalog and purchased them, knowing that they were from Hemingway's great first love, his World War I nurse. The writings went to the Hemingway Foundation in Oak Park, Illinois. And the letters became the basis for the book *Hemingway in Love*, later turned into a Sandra Bullock movie. Dad attended the premiere as a guest of honor.

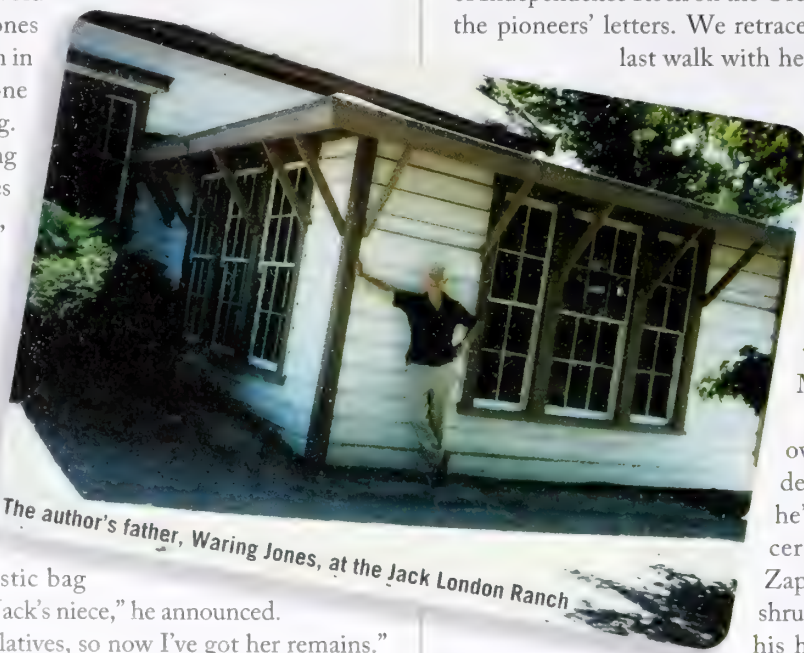
The biggest payoffs came during frequent trips with the ubiquitous book bag. Dad's unexpected weight inevitably elicited the should-kill-you expressions from police and bellhops. Inside were old WPA guidebooks, diaries, local histories, newspaper clippings and esoterica to aid us in adventures into the obscure. Put up on pulp, Dad was the Mick Jagger of tour guides, imbuing our travels with manic literary passion. We camped out at Independence Rock on the Oregon Trail while reciting the pioneers' letters. We retraced Virginia Woolf's

last walk with her original diary at hand.

We drank picturesque quantities of strong bourbon. William Faulkner's local wood watering holes we used John Steinbeck's notes to retrace the steps of Emiliano Zapata and his revolutionaries. We visited the dusty Mexican state of Morelos.

"Where did they have the owner and his family?" Dad demanded of a local shopkeeper he'd hired when we came to a certain hacienda visited by Steinbeck. Zapata & Co. The poor man shrugged, knowing he was shaking his head with this crazy question and his bag of books. Dad

disappeared for a moment behind Steinbeck's notes. "There!" he shouted triumphantly, heading toward a nearby tree to pick a few leaves as souvenirs. For years afterward, he g

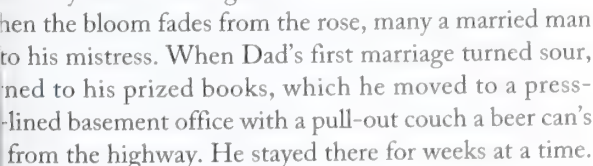


The author's father, Waring Jones, at the Jack London Ranch

When Dad decided to move some of his more valuable
out of the reach of grubby little fingers, he replaced
with his extensive mountaineering collection. Hence,
midst of Minnesota's flatlands, I entertained myself
ales of the Himalayas, Rockies, Alps and Andes.
ade later, every time I headed

But what lawyers can do, lawyers can undo.

As Dad lay up in his
bedroom back in Wayzata



For years the three had been attempting to butter up the old guy, inviting him out to dinners and book parties, and offering

to take his entire library off his hands. They were repeatedly turned down.

After hearing about the stroke, however, they made an offer to Dad's accountant and ex-lawyer that should have been refused. Quicker than you can say "elder crime," the accountant rehired the lawyer and together they rewrote Dad's will, abolishing his wish to donate his collection to various libraries and museums, and granting themselves the right to begin selling the collection to the booksellers on Dad's behalf. To cap it off, they charged him more than \$150,000 in professional "fees" and "personal gratuities."

Armed with their contract, the merry band of booksellers raided Dad's office, carting off tens of thousands of books. They and their cohorts also carted off practically everything else they could, including the furniture, artwork and even the telephones. *Viva Zapata!* When Dad's loyal secretary and archivist showed up for work, the lawyer confiscated their keys and ordered them to scram.

The looters then went to Dad's house and repeated the fun. To make this more of a family affair, they even smashed open a locked trunk in the basement and shipped off our childhood toys. They returned to their respective shops and boldly listed their takings for sale on the Internet, often at five times what they had estimated the retail value of individual items to be in their "contract of sales."

A few days later, as Dad improved, he put on his bathrobe and took a walk through the house. The gang had kept the bookshelves around his bedroom unmo-
lested. But when he wandered beyond this literary Potemkin village, he spotted all the empty shelves and went into a panic. He then called me in Washington, D.C., on one of the few remaining phones, to let me know, in language not usually associated with bookworms, that he was ready to kill somebody.

Weeks later, while medicating his withdrawal symptoms with the long-neglected TV, now lording over the empty bookshelves, Dad suffered a second stroke and was moved into a nearby Alzheimer's unit. After 74 years, he was cured at last: He'd never need to read another book.

Meanwhile, the lawyer and accountant, feeling the heat—mainly from me—made a desperate effort to obtain a "get out of jail free" card by petitioning the Hennepin County court to accept their dubious sales contract. They scheduled the review the day before Thanksgiving, gambling that with Dad's out-of-state family preoccupied, the court would simply rubber-stamp the deal.

And so, the day before Thanksgiving, I found myself tagging

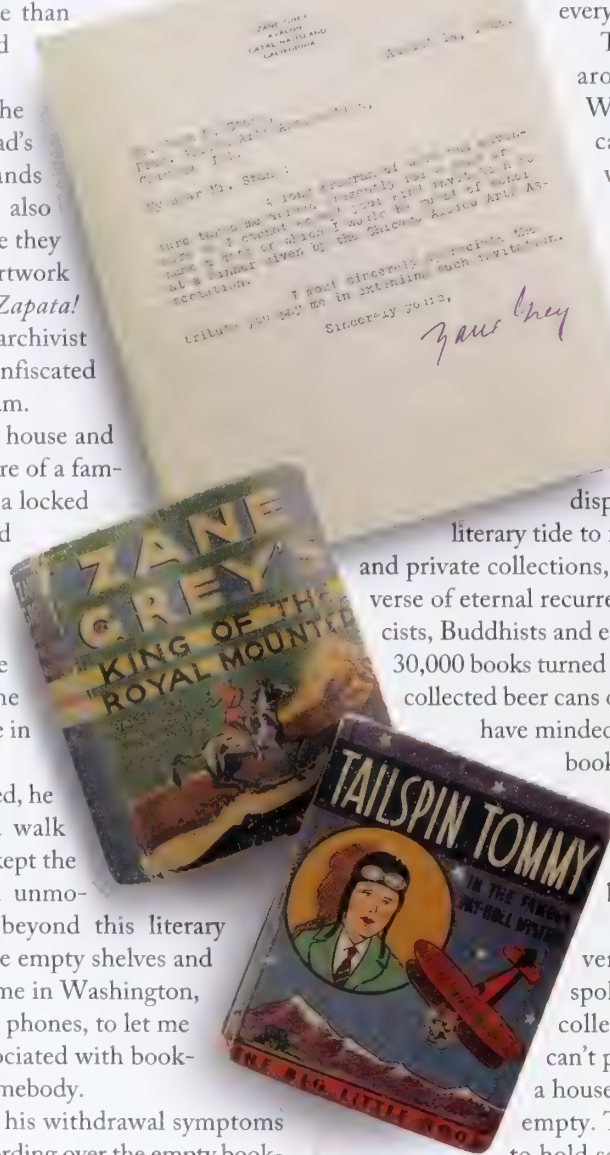
behind one Paul A. Sortland, Esquire, from the "Professional Malpractice" section of the Minneapolis Yellow Pages. He marched into referee Richard Wolfson's courtroom in Minneapolis. We were met by the disbelieving stares of accountant and his attorney. Wolfson carefully read the petition from the bench, intermittently sighing in a marvelously theatrical manner. He asked a few pointed questions, then concluded that he would further review the contract after Thanksgiving to make sure everything was really "as crazy as it looks."

The gravy had not yet congealed around the family turkey back in Washington, however, when Sortland called me to announce that the lawyer wanted to settle. The artwork returned, and a few books. Substantial profit from the sale of the rest of the collection was repaid, the proceeds going toward the education of my father's grandchildren; if I won't inherit his library, at least some of them can inherit his desire for one.

My father's library is dispersed into the world, borne out by a literary tide to fetch up in other libraries, bookstores and private collections, washed back into that material universe of eternal recurrence forever pondered by astrologists, Buddhists and eBayers. Like my father himself, thousands of 30,000 books turned out only to have been on loan. Had I collected beer cans or *Star Trek* memorabilia, I might have minded as much, but books seduce, and books seduce even more. No amount of philosophizing can get rid of my memory of old friends whose names still electrify the atoms of my brain better than the highest-grade lead. And in this sense, my father was very successful with at least one spoken intention behind his lifetime collecting. What good are vices if you can't pass them along? I recently purchased a house in Los Angeles that seemed awfully empty. Then I installed enough bookshelves to hold some 2,000 volumes. The first 2,000. After that, I noticed that my kids' rooms still had plenty of wall space....

As for my father, I fly out to see him every other month. When he misses his books, he doesn't show it. His library has been internalized, secret, exactly as he liked it.

A lifetime of written wisdom has gently settled like sediment in some distant ocean bed, and somewhere within, the long conversation between man and books continues, though ever and ever. Love disappears, wealth disappears, desire disappears, but good books stay absorbed in the soul, and a soul, if educated, endures. Or at least that's what some pretty good books say.



Find the best gear for your lifestyle.



Now know what you're buying. At CNET.com, you'll see how our experts
rate the gear you think you want, see who's got it for less, and hear
how it's working (or not) for people just like you. We'll even help you
get more out of the stuff you already have. For free.

Find the right tech for you at CNET.com.



CNET.com

Bringing tech to life



reclining as in life,
female figure type
and a half-stone type

Paris To Die For



OLIVER BATH leads a tour of Père-Lachaise cemetery, whose roster of celebrated names reads like “the *People* magazine of the River Styx,” and ends up in the hotel room of its most famous occupant.

have spent any time in Paris, people will ask you what they should see when they go. “Père-Lachaise!” I always reply, always their eyebrows furrow when I explain that no, it is not the hot new restaurant in the 8th opened by the brilliant chef who finally left the Crillon, but a *cemetery*. “Cemetery? We’re not going all the way to Paris to see a cemetery.” “I say, ‘more’s the pity, because then you’ll miss Oscar Wilde, Héloïse and Abélard, Jim Morrison, Edith Piaf, Balzac, Rossini, Colette, Gertrude Stein and Alice B. Toklas, Richard Wright, Modigliani, Sarah Bernhardt, Traudl Junge, Molière and Proust.’” Père-Lachaise is the *People* magazine of the River Styx. My kind of celebrity-ting: These can’t smash your camera or look down on you; they’re six feet under, so really they’re looking up at you.

I’ve been to Père-Lachaise a half dozen times. A few hours in this vast, leafy necropolis and I emerge into the hum and thrum of the boulevard de Ménilmontant serene and refreshed. If all else fails, I’ll sit on a folding chair outside the front gate selling access to the stars’ graves—five euros, two for eight.” I first heard about Père-Lachaise a quarter-century ago from my friend Alistair Horne. He is now Sir Alistair Horne, in recognition of his achievements as a historian. Alistair was born on the same day as Mick Jagger, who showed up at Buckingham Palace 20 minutes late and wearing jogging shoes. The palace chamberlain looked down a nose as long as an Olympic ski jump and said, “Ah, Sir Michael, how *very* good to join us.” At any rate, my favorite of Alistair’s 19 books is *Seven Ages of Paris*. It is brilliant in all respects and ends

with a tour of Père-Lachaise, which “contains probably more of France’s past than any other 44 hectares of her soil.”

Père-Lachaise, that is Father François d’Aix de la Chaise, was confessor to Louis XIV. Being the priest who got to hear the Sun King’s confessions was, to judge from the acreage and the view from here, a good gig to have in late-17th-century France. *Cheated on the Queen, again, eh? Well, Votre Majesté, no one’s perfect....* After the Revolution, the land was sold to the city. A city in which 1,343 people had their heads chopped off in two years, right in front of the Hôtel de Crillon, was going to run out of burial space sooner rather than later.

In 1817 city administrators had a public relations brainstorm: reunite the remains of the doomed 12th-century lovers Héloïse and Abélard and showcase them under a grand gothic marble

canopy. There's something about doomed 12th-century lovers that makes people want to be buried near them. Before long, Père-Lachaise was *the* chic place to be shoved under. The remains beneath the ornate marble canopy are in all likelihood *not* those of the doomed 12th-century lovers, but there are now so many defunct celebrities here that it doesn't much matter.

Mark Twain visited in the 1860s and reported that there were always people "snuffling" over Héloïse and Abélard's tomb. Today the snuffling occurs just up the hill, at Jim Morrison's grave. The first time I visited, there were a dozen young snufflers sitting on Jim's grave, channeling their grief through fragrant hand-rolled cigarettes, multiple body-piercings and graffiti. These homages became such a nuisance that the authorities put up a chain-link fence and posted a notice warning that grave defacement is frowned on almost as much as cooperating with U.S. foreign policy. But the liminal—from the Latin *limen*, for threshold—urge to leave mementos on tombs runs deep. Tombs, particularly mausoleums, are vestibules to the underworld. On my previous visit, I found Oscar Wilde's tomb covered with dozens of lipstick kisses. It would be dandy but unrealistic to suppose that this will be a problem at the Oliver Bath gravesite.

One of the pleasures of crawling about Père-Lachaise is stumbling upon the unexpected. You just never know whom you're going to crack your kneecap on. While looking for the grave of Nadar, the 19th-century photographer who took history's first aerial photographs, from hot air balloons over Paris, I came upon the inscription:

*Pierre de Chaboulon
Secrétaire de l'Empereur
"Il était
Plein de feu
Et de mérite"
—Napoleon à St-Hélène*

A few feet away, my companion Peaches and I found the tomb of Dupuytren, the great surgeon who performed the first successful cataract operation. He's just up the avenue from Beaumarchais, author of *The Marriage of Figaro* and financier of the American Revolution. A short walk away, we found Edith Piaf's simple black granite tomb piled high, as it always is, with flowers. She died in 1963. If they're still laying flowers on your grave 40 years later, *that's* immortality.

As you approach the eastern wall of Père-Lachaise, a kind of silence descends that's even stiller than the silence elsewhere. This section evokes the greatest grief. It was here in the final days of May 1871, against the bullet-pocked wall, that 147 members of the Paris Commune were lined up and shot. Since then, the area has become a rallying point for France's left wing.

It is also here that Père-Lachaise's most wrenching memorials are to be found: those to the dead of Auschwitz, Buchenwald, Dachau and the other concentration camps. Soil from those

places was brought here and mixed with the earth beneath sculptures. It was November. We walked down the avenue lined by sculptures of emaciated, tortured humans. The late afternoon sun, slanting through the yellow acacia leaves, failed to warm. Here the chill goes through you. We did not speak. I looked over. Peaches' cheeks were streaked with tears.

Soon we came upon Gertrude Stein (Allegheny, Pennsylvania) and Alice Toklas (of San Francisco), and the night lightened. We turned onto the avenue Carrette, and there waiting for us, as he had been since he was reburied here in 1911 after nine years elsewhere in a pauper's grave, was Oscar Fingal O'Flahertie Wills Wilde. Today we had a connection, as we were standing in the room where he died a painful death in broken exile on November 30, 1900.

The lipstick kisses were gone, but there were many flowers. One bunch with a handwritten note in Italian pinned to it. I read a few lines. It appeared to be a love note. I felt as though I was prying, and left off.

The large gravestone is striking. It's an art deco, Egyptian sphinxlike sculpture, executed by Jacob Epstein and paid for anonymously, by a Mrs. Carew. Striking, but I still can't decide even after a half dozen visits whether I like it. According to the version I heard, the sphinx's naked delicacy offended a pair of old ladies, who knocked them with a hammer. Poor Oscar, assaulted in death. They were restored in 1992.

On the back is a lengthy description of Wilde's accomplishments, oddly focusing on his lusty academic career. Beneath that are two inscriptions: first from his "The Ballad of Reading Gaol":

*And alien tears will fill for him
Pity's long broken urn,
For his mourners will be outcast men,
And outcasts always mourn.*

The second, from the Book of Job:

VERBIS MEIS ADDERE NIHIL
AUDEBANT ET SUPER ILLOS
STILLEBAT ELOQUIUM MEUM.
JOB CAPUT XXIX.22

My schoolboy Latin was not quite up to the task, and Oscar Wilde suite at L'Hôtel on the rue des Beaux-Arts provided no Gideon Bible, so it wasn't until I got home that I was able to look it up: "After my words they spake not again; and my spirit dropped upon them."

Wilde, the great Magdalen classicist, could have provided an own translation. When he took his oral examination in Greek at Oxford, he was given a passage from the Passion of Christ to translate. He did it so fluently that the dons told him they were

The Importance of Being in Paris

L'HÔTEL: 13 rue des Beaux-Arts, 75006 Paris; phone: 011-33-1-44-41-99-00, fax: 011-33-1-43-25-64-81, www.l-hotel.com. Rooms and suites range from about \$300 to \$890, depending on the season.

LE CIMITIÈRE DU PÈRE-LACHAISE: The main entrance is on the boulevard de Ménilmontant in the 20th arrondissement (Métro: Père-Lachaise). For a remarkable virtual tour of the cemetery, see www.pere-lachaise.com.

he could stop there. "But I want to see how it ends," he said. His own ending, in Paris, was as wretched as his life had been. Not five years earlier, in London, when he had two hit plays running in St. James and was the orchid flower of late-Victorian society. Few have fallen so far so fast. He went from riches, a room and a front table at the Café Royal to ignominy, trial, jail, penury and death in a seedy flophouse.

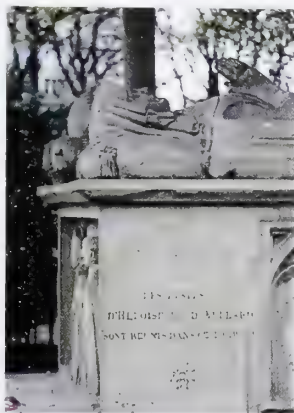
He is celebrated for his deathbed witticisms: "My wallpaper are fighting a duel to the death—one or the other of us has won;" "I am dying as I have lived, beyond my means." But it was not only his wit that made him a legend. He was a man of letters, a man of letters, a man of letters. He went down the cobblestone streets past Balzac and Nerval, past Géricault and Colette. We went for Doctor Gachet, who had ended to another tragic art. At the time, Van Gogh, but we didn't find him.

We walked all the way back to the hotel that afternoon and early morning, stopping to refresh ourselves in the crowded Marais. As we crossed the Pont Neuf, built in 1777, you could see the whole city once: at one end, the Eiffel Tower sparkling from 20,000 synchronized strobe lights, at the other, the softer, ancient panorama of Notre-Dame.

Somehow we ended up at a restaurant on the rue des Grands-Saints, wearing silly feathered hats given us by the waiter, drinking champagne and eating escarottes and *cuisse de grenouilles* and singing to "If I Had a Hammer" in French to the accompaniment of accordion music. From the sacred to the profane, in one afternoon.

L'Hôtel, formerly L'Hôtel d'Alsace on the narrow rue des Arts, would be barely recognizable to its former tenant. It is not *très* tout luxe and ornate. There is a small bar adorned with black-and-white photographs of a few of its better-known tenants: Johnny Depp, Keanu Reeves, Sean Penn, Robert De Niro, Dennis Hopper and Jeanne Moreau.

The Oscar Wilde suite is #16 on the first floor, up the narrow, winding staircase that its namesake climbed. His biographer Richard Ellman recounts how one day, unable to pay for his room at an outdoor café in Saint-Germain, he remained at the table even as the waiters, trying to drive him away, rolled back their umbrellas, leaving him to be drenched in the rain. The photograph from the deathbed photograph taken by Maurice



Who are the people in your neighborhood?
Top right, the grave of 19th-century journalist Victor Noir; left, top to bottom, the tomb of Héloïse and Abélard, the tomb of Colette, and one of Père-Lachaise's more animated denizens.

Gilbert, you can see the wallpaper that annoyed him has since been changed. Everything has. The room is dominated now by a fantastical green-and-gold mural of peacocks. It looks like it might have been done by his old friend and verbal sparring partner, James McNeill Whistler. The mahogany bed looks to be the design of Aubrey Beardsley, the headboard carved with swans. A haunting period crystal chandelier hangs in the alcove that gives out onto a small balcony overlooking what used to be the courtyard. The walls are hung with letters he wrote in this very room to his last publisher, Leonard Smithers; also, the final bill from his kind hotel-keeper Dupoirier, along with caricatures by Spy and Toulouse-Lautrec, and a yellowing news clipping from May 19, 1897:

FREE ONCE AGAIN
OSCAR WILDE WILL RESUME
HIS CAREER AS A PLAYWRIGHT

He never did. I used to own a first edition of his masterpiece *The Importance of Being Earnest*, published by Smithers in 1899. At the time of publication, the name Oscar Wilde was still so radioactive that no name appears beneath the title, only "By the Author of *Lady Windermere's Fan*." In the play, Jack tells the Reverend Chasuble that his invented brother has died.

"He seems to have expressed a desire to be buried in Paris."

"In Paris!" says the Reverend, shaking his head, "I fear that hardly points to any very serious state of mind at the last." •



EVERY ONCE IN A GREAT WHILE, WHEN THE SANTA ANA winds gather enough strength to muscle aside the formidable haze, workers on high floors in Los Angeles office buildings look out of their west-facing windows, stroke their chins and check their calendars. *You can see Catalina today.* The silent observation is almost always accompanied by a flurry of irresponsible calculations. *I could race home, pack a bag and be at the landing in San Pedro in two hours. Catch the 12:30 ferry; be there by 2:00. Two nights ought to do it. I think the returning boat leaves at 10:30 a.m.—that means I could be back here by lunchtime Wednesday. People would hardly notice that I'd been gone....* ● Twenty-two miles off the California

coastline, Catalina is close enough to inspire purely spontaneous visits—you can go from plotting your escape to living it out in two hours' time—but just far enough to make you feel like you've actually traveled somewhere. By combining accessibility with its own brand of quaint exoticism, it has served as a powerful lure for more than three quarters of a century, attracting successive generations of eager visitors: day-trippers seeking a break from humdrum routine, flappers and playboys bound for the Casino and the legendary big bands it hosted, Hollywood stars in search of a low-key place to frolic and maybe catch a few fish.

BY JEFF TURRENTINE





Offshore Asset

When you're weary of L.A., Catalina Island is still just a ferry ride away.



A view from a hill: Two Harbors, Catalina. Above, left to right: Dolores del Rio and Orson Welles with dinner; Avaton Harbor; line-of-the-century visitors take a glass-bottom boat tour; a friendly local.

JUST THE FACTS

Catalina is about comfort, which is not the same thing as luxury. Standard hotel rooms tend to be smallish and unimaginatively decorated, and a great number of Avalon's restaurants cater to casual visitors or cruise-ship passengers, which means it's generally far easier to find a bacon-cheeseburger and a Corona than seared foie gras paired with a delightful gewürztraminer.

Of the dozens of hotels lining Crescent Avenue, Avalon's only real thoroughfare, the Hotel Villa Portofino (888-510-0555, www.hotelvillaportofino.com) offers the largest and most well-appointed suites. The Portofino Suite is especially spectacular, with French doors that open to a balcony overlooking the boat-filled bay, the famous Casino building and the bustling street below. Other hotels worth checking out, and checking into, include the Hotel Metropole (800-541-8528; www.hotel-metropole.com) and the funky, mid-century-modern-inspired Pavilion Lodge (800-446-0201).

No one, not even the proprietors of competing restaurants, would dispute the assertion that the two best places to dine on Catalina are the Catalina Country Club (310-510-7404) and the Ristorante Villa Portofino (310-510-2009). The former, built by William Wrigley, Jr., almost 80 years ago, was for decades the home of the Chicago Cubs during their spring training; today its restaurant offers the island's most sophisticated menu and wine list in a beautiful Mission-style dining room high above Avalon, away from the crowd. The latter is connected to the aforementioned Hotel Villa Portofino and features northern Italian specialties complemented by a very respectable wine list, surprisingly stronger on Italians than Californians.

Travel to and from Catalina is accomplished chiefly by ferries that are based in Long Beach, San Pedro and Marina del Rey. If you're staying in Los Angeles and considering an island jaunt, save yourself the drive and catch the Catalina-Marina del Rey Flyer (310-305-7250, www.catalinaferries.com). This boat trip takes a little longer than the other two, but an extra 45 minutes on the Pacific Ocean beats an extra 45 minutes on the 405 freeway, hands-down.—JT

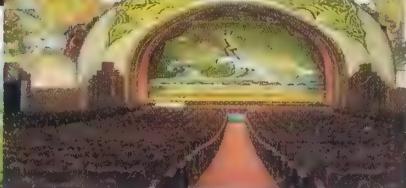
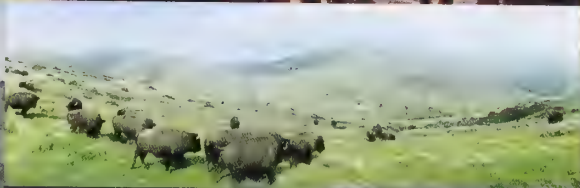
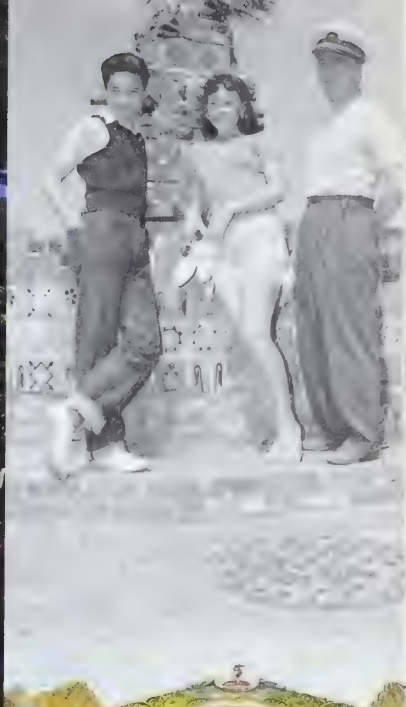
Though the town of Avalon was founded in 1887, it wasn't until chewing-gum magnate William Wrigley, Jr., purchased controlling interest in the Santa Catalina Island Company in 1919—effectively making him the island's impresario—that Catalina's transformation from rustic hideaway to resort destination began in earnest. Soon the steamships would begin arriving, bearing the first waves of city dwellers in sore need of a change of scenery. Local children swam just offshore, begging ship passengers to toss them a few coins. Whatever money wasn't thrown overboard went directly into the growing number of hotels and restaurants that were being built to fulfill Wrigley's vision of a Mediterranean-style getaway just a couple of hours from Los Angeles. By the 1940s, Avalon was officially an American playground, a place where you could come for a few days of swimming (and a few nights of dancing) without incurring serious travel costs. If you paid attention, you might notice that the lanky, mellow-voiced fellow at the bar was Bing Crosby.

If it is not a place frozen in time, then it is a place thawing very slowly. Some of the approaching Avalon Bay today is viewing more or less the same picture-postcard scene—sailboats moored in a crescent cove, the whitewashed houses and hotels of Avalon perching above like layers of a wedding cake—that throughout the 1930s and '40s drew ships filled with revelers bound for the giant Casino, where the likes of Woody Herman and Harry James were waiting to set them swinging. Because the island is largely owned by a conservancy, established by the Wrigley family in 1931 and single-mindedly devoted to staving off the gaucherie of overdevelopment, a visitor of today can be reasonably assured that the setting is basically as it was when Orson Welles and Dolores del Río would drop in for private yacht parties, or when a white-haired Charlie Chaplin would parade his bombshell of a new wife, Paulette Goddard, along the pier.

Married movie stars Robert Wagner and Natalie Wood were regulars throughout the 1970s, sailing in often to inject a frisson of Hollywood excitement. But a 1981 boating accident off the coast that took Wood's life seemed to close the book on Catalina as a glamorous destination. By then the steamships had long since stopped coming, the Casino's dance floor was largely quiet and the St. Catherine Hotel, Avalon's ritziest hotel, had been razed. In the era of discounted air travel, Southern Californians in search of an island escape were just as likely to hop a plane to Hawaii or the Caribbean.

Things change on islands, just as they do everywhere else. But the best and most interesting things about Catalina remain: The herd of buffalo—descendants of the ones brought to the island in 1924 for the filming of *The Vanishing American*, a movie based on the novel by writer-in-residence Zane Grey—continue to roam wild. Stories are still swapped at the oldest fishing club in the United States, the magnificent Tuna Club, to which a nonchalant Winston Churchill repaired in 1929 after reeling in a 188-pound marlin in a mere 20 minutes. And you can still play a round of golf at the Catalina Country Club, where Bobby Jones held his annual namesake tournament for 25 years and where the Wrigley-owned Chicago Cubs spent almost 30 spring seasons diligently training to let the National League pennant slip, time and time again, just beyond their grasp.

In the end, Catalina may well continue to charm Southern Californians—those who happen to make the trip out while visiting the area—because of what it isn't. It isn't Anaheim, overrun with theme parks and hotels; it isn't Beverly Hills with its attitude and expense; and it sure isn't Las Vegas, where all that commingling of heat and vice can make a visitor feel downright infernal. It's a sweet slice of California as it used to be. The P.A. system in the candy store blasts music out onto Crescent Avenue: Louis Armstrong, Frank Sinatra, the Andrews Sisters. The guides on the Avalon tour buses announce the different colleges and universities to which the town's high school graduates have been accepted, and stop to pick up elementary school children who need a ride into the center of town. It is, in short, a daydream kind of place. And the perfect place to come and dream for a day about life when it was a little bit easier. •



Clockwise from top, Catalina past and present: the terrace of the Zane Grey Pueblo Hotel, once the author's home; the Charlie Chaplins (Jr. and Sr.) flank the latter's wife, Paulette Goddard; the Casino's theater; '30s-era waterskiers playing "aquaplane ball" in the harbor; the Chicago Cubs prepare for yet another season of futility; unlikely sportsman Winston Churchill with his 188-pound catch; golfers take a break before the Bobby Jones Trophy Tournament; the ultimate Hollywood hangers-on, buffalo arrived in 1924 and never left.





Maplewood Town



Nidaros Town

MIXED MEDIA

New York's toniest address tells all | King Kong captured (on DVD) | Old movies: the new games | Talking Heads in 5.1 surround



books >>

ART PHOTOGRAPHY NOW,
by Susan Bright;
Aperture; \$50

Critics have been debating photography's place in the art world since the days of the daguerreotype. Among the arguments against it, once expressed by Charles Baudelaire and frequently echoed today, is that it's more of a "mechanical" process than a fine-art form. Yet in recent years, photography has won over its skeptics. It's a stable, established medium that sells photos as easily as paintings. Galleries, museums, and art fairs are staging exhibitions and auctions of photographic collections. For those coming to the art world, Susan Bright's book offers a solid survey of the medium's key players.

Broken down into seven sections—portrait, landscape, etc.—the book highlights well-known artists like Gregory Crewdson, whose big-budget, meticulously staged photographs sell for up to \$50,000 per print, while introducing relative newcomers like Katy Grannan, who takes simple, quietly shocking portraits of everyday people. Old-school landscape photographers such as Joel Sternfeld share space with pioneers like AES&F, a collective of artists who use computers to create surreal digital composites. And as if to highlight the blurry line between fine art and commercial photography, Bright dedicates a whole section to top fashion photographers such as Jonathan de Villiers and Mert and Marcus. Whether or not they belong in this book, readers can debate among themselves. —THOMAS JACKSON



BEETHOVEN,
by Edmund Morris; HarperCollins; \$24.95



Edmund Morris's brilliant, short biography of the greatest composer of the 19th century, recalling a moment of his life at Harvard after a devastating blizzard when a student threw a brick through a window and "blew" the finale of Beethoven's Fifth Symphony into the crisp air....Whoever chose to study the...radiant whiteness of Harvard with that fanfare after the big blizzard knew—as did the planners of Winston Churchill's funeral or witnesses to the fall of the Berlin Wall—that there are more

only Beethoven will do." Morris, biographer of Theodore Roosevelt and Ronald Reagan, brings to this study not only those Pulitzer Prize-winning skills and his customarily superb, elegant writing, but also an profound knowledge as a concert pianist. He can thus state with authority that "The String Quartet in B-flat, Op. 132, traverses more styles in fifty minutes than Wagner did in fifty years." Some of the technical commentary went whizzing over the head of this "Chopsticks"-quality writer, viz.: "Where Mozart wrote plain triads in G minor, Ludwig wrote demi-quavers in E-flat minor, the most surprising of keys, with six flats blackbirding the octave." But like the music, it sounds good. This book is a perfect marriage—or should one say, duet—of subject and author, every word as masterly as the work of the artist it illuminates.

—CHRISTOPHER BUCKLEY

ARK, Michael Gross; Broadway; \$27

Real-estate spectators, clear space on your night table: Journalist Michael Gross has opened a peephole to one of Manhattan's most impenetrable prewar apartment buildings, 740 Park Avenue, that towered as a limestone edifice at the northwest corner of 71st Street, where buyers with a net worth south of \$100 million couldn't trouble the co-op board with their money. Built in 1930, 740 has sheltered Mayflower grandees and swashbuckling Wall Street arrivistes; Gross's thick histories of them all, tracking the way the shifting pedigree of the building was used for WASPs like Landon Thorne, whose family fortune meant he "really lived through the Depression." The first resident arrived in 1949—though he played polo and claimed to be Episcopalian. By 1970, with the market in free fall, the board at 740 finally set aside the *Register*, and rogues like Keith Barish, Martin Scorsese, and Ronald Perelman got in. His Royal Highness Nawwaf bin Abd al-Aziz bin Abd al-Rahman Al Saud, who led a parade of girlfriends past the penthouse. Gross piles on the divorce settlements, the Chippendale chairs, the dilem-

games

FROM RUSSIA WITH LOVE; EA; \$50 THE WARRIORS; Rockstar Games; \$50

Received wisdom says games based on movies are cynically slapdash affairs, hustled through production to capitalize on the short-lived enthusiasm of fans. But games based on classic movies suggest a more compelling raison d'être.

Watched today, Terence Young's impeccably tailored 1963 Bond film, *From Russia With Love*, and Walter Hill's 1979 urban neo-noir, *The Warriors*, feel stylish—if a little slow. New games inspired by each ramp up the action.

The Warriors is the more creative of the two, though it should only deepen the notoriety of developer Rockstar Games, the troublemakers behind the *Grand Theft Auto* series. The game's story line obliges you to protect your Warrior-turf from the Destroyers, the Orphans, the frightening Baseball Furies and other cabals. You do this with your fists, as well as any blunt object lying around. Similarly nihilistic pastimes include tagging graffiti, mugging passersby and stealing car radios. EA's *From Russia With Love* is a less thuggish, more straightforward affair. Dressed in Bond's dinner jacket, equipped with his Walther PPK, laser watch, sonic cufflinks, plus a few chunkier bits of equipment (jetpack, rocket launcher), you receive pleasingly clear-cut objectives: kill the SPECTRE baddies, rescue the girl. In a coup, EA convinced Sir Sean to lend his inimitable voice to the soundtrack. Games are the new movies, say industry-watchers; these two help the claim stick. —TA



mas of decorating (Abby and John D. Rockefeller, Jr.'s are best: "Where to hang the Botticelli? The Veneziano? The two Duccios?"), making his 500-plus-page account as rich (and occasionally exhausting) as his subjects. —TAYLOR ANTRIM

VIVA LA REPARTEE, by Dr. Mardy Grothe; Collins; \$15

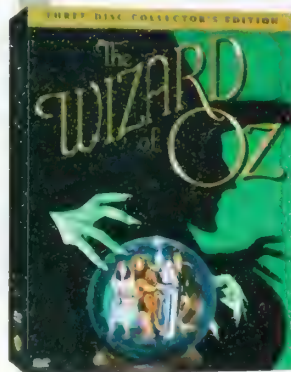


"Repartee," Mark Twain noted, "is something we think of twenty-four hours too late." The French, who seem to have more than one word for everything, also call it *l'esprit de l'escalier*—that familiar let-down sensation of coming up with just the right comeback line as you're walking down the front steps after the dinner. *Viva la Repartee* is a joyously fun compendium of wit and one-up-

manship by the world's great riposte artists, including Oscar Wilde, Dorothy Parker, Winston Churchill and even Dolly Parton. Here is a young Alfred Hitchcock confronted by a suspicious French customs inspector eyeing the "Occupation: Producer" entry in Hitchcock's passport. "What do you produce?" Hitchcock: "Gooseflesh." W.C. Fields on his hospital deathbed, perusing the bible: His astonished visitor, well familiar with Fields's lifelong atheism and anti-religiosity, asked what on earth he was doing. "Looking for loopholes." And who knew that former Soviet leader Mikhail Gorbachev was capable of Johnny Carson-quality quips? Asked by a reporter, "What effect on history do you think it would have made if, in 1963, President Khrushchev had been assassinated instead of President Kennedy?" he replied, "I don't think Mr. Onassis would have married Mrs. Khrushchev." Wish I'd said that. A brilliant stocking stuffer. *L'esprit de la mantelpiece?* —CB

»
dvd**THE KING KONG COLLECTION; Warner; \$40**

The original *King Kong* makes its American DVD debut just in time for comparisons with director Peter Jackson's remake. Originally released in 1933, the movie about the biggest, baddest ape of them all became a cinematic milestone and inspired generations of special-effects geeks, Jackson among them. Sure, the techniques show their age, but you still can't look away from stop-motion pioneer Willis O'Brien's creatures. Warner Home Video offers different packages to satisfy varying levels of Kongmania. The two-disk "Special Edition" has plenty of bonus material, while the "Collector's Edition" adds additional keepsakes. The four-disk "King Kong Collection" drops the souvenirs but includes *Son of Kong* and *Mighty Joe Young*, two other movies by the team of Merian C. Cooper and Ernest B. Schoedsack. (Sadly missing is *The Most Dangerous Game*, directed by Schoedsack at the same time as *Kong*, using some of the same sets and cast.) A documentary about Cooper explains the fascinating exploits of the man whose life is mirrored in *Kong's* Carl Denham, the intrepid showman who captures the ape on a fog-shrouded Pacific island. The feature commentary by special effects legend Ray Harryhausen and others is somewhat lackluster, but the Peter Jackson-produced documentary about *Kong* should create renewed appreciation for a movie that remains strange and wonderful after more than 70 years. —TOM HUNTINGTON

**THE WIZARD OF OZ COLLECTOR'S EDITION; Warner; \$40**

Imagine Dorothy in a blond wig, heavy eye shadow and a party dress, or "Somewhere Over the Rainbow" missing from *The Wizard of Oz* score. According to the extras in the new *Oz* collector's edition, both might have happened if the film hadn't gone through five directors and multiple test audiences. The 13-hour set features four new documentaries and feature-length commentary by *Oz* historian John Fricke, who puts to rest once and for all the rumor that among the twittering branches on the

way to the Emerald City is a suicidal starlet or a dead Munchkin. ("Rest assured, folks, they're just birds.") Angela Lansbury, Judy Garland's Hollywood contemporary, narrates both a making-of documentary and a storybook treatment. But it's the actors that take viewers beyond the yellow brick road to MGM's back lot: You see what lead Munchkin Jerry Marin means when he says, "We're having a hell of a good time marching around." Even the crotchety Miss Gumm, Margaret Hamilton, stifles a laugh during a home video. The original film, digitally restored with a remastered sound track, is radiating in its Technicolor splendor. Yet *The Wizard of Oz* didn't become a cultural phenomenon until CBS

aired it in 1956—17 years after its release. That may be due to competition from the box-office legend *Gone with the Wind*, released the same year as *Oz*. More likely it's because *Oz* is best enjoyed in the comfort of one's living room, wincing at the Wicked Witch of the West's cackle as if it were the first time.

—STEPHANIE COOPERMAN

CINDERELLA MAN; Universal; \$45

You probably missed Ron Howard's rousing boxing movie in theaters this summer. Most people seemed to (an execrable Adam Sandler football flick grossed twice as much). Now's the time to make amends. The story of Depression-era New Jersey boxer James J. Braddock's trip from the breadlines to a shot at the world heavyweight title is an exhilarating ride. Yes, the script works hard ("You're the champion of my heart," warbles Renée Zellweger, playing Braddock's stalwart wife), but natural and deeply convincing performances by Russell Crowe as Braddock and Paul Giamatti as manager Joe Gould give the proceedings all the gravity needed. And the bracing fight sequences—especially the climactic battle with heavyweight champ Max Baer—will bring you out of your chair. —TA

**THE KINGDOM, SERIES ONE; Koch Lorber; \$35**

Irascible, offensive, difficult—Danish director Lars von Trier has rarely ever been called *fun*. But before earning international fame for brilliant, monumentally depressing epics (*Breaking the Waves*, *Dancer in the Dark*, *Dogville*) Von Trier made this wildly entertaining miniseries about a haunted Copenhagen hospital for Danish television. *The Kingdom* was such a hit in 1994 that its

four hour-plus episodes toured cinemas worldwide and spawned a sequel. Stephen King was so intrigued that he adapted his own version for ABC, last year's *Kingdom Hospital*, and his approval is apt: Try to imagine *The Shining* set in the long hall of medicine, but with painfully awkward workplace laughs (à la *The Office*), and you might approximate *The Kingdom*. Sui generis it may be, but this mix of white-coat melodrama, supernatural horror and absurdist social satire demands to be viewed in one compulsive sitting. The hospital's dark past bubbles to the surface as a dozen plotlines interweave and intersect, whether involving amoral doctors or vengeful spirits. Fusty administrators form a secret brotherhood, complete with a goofy hazing ritual; test subjects experience gory visions in a sleep lab; a driverless ambulance harasses the dispatchers' radio; terminal patients gather for séances; and yet everyday hospital business must go on. Thanks to a cast that plays it all in winningly natural, deadpan fashion, this deeply surreal series feels engrossingly real, even though it's eerily shot in grainy, sepia-tinged video. Watch it in a dark room: You'll laugh, you'll cry, you'll be creeped out. —MATTHEW REED BAKER

Advertiser Directory

For more Advertiser Information To receive free information from Forbes FYI advertisers contact advertiser directly by website visit or by phone call.

Moresco & Co., Ltd.

12-397-4300

www.ravazzolo.com

is the leader in the market in men's quality pants. Zanella also offers sport and shirts, outerwear and sport jackets. has a complete ladies collection as well. 00-323-7862 or visit www.zanella.com

ive

ology, performance and design, our mains constant. It's greater to lead than For more information visit us sa.com or call 1-800-FOR-AUDI

Motor Division

: Break Through!

www.cadillac.com

300C

rysler 300C: The most awarded new

www.chrysler.com/300C

truck: Yukon

We Are Professional Grade.

www.gmc.com

r

IER - Like nothing else!

www.hummer.com

i

te you to test drive the 400 hp

i Quattroporte luxury sport sedan.

seratiamerica.com/fby or call

-MASERATI

dier Flexjet

www.flexjet.com

dier Skyjet

www.skyjet.com

Design Corporation

www.cirrusdesign.com

Shares

800-340-7767 or visit

ationshares.com

r

www.embraer.com

Options

877-703-2348 or visit

ghtoptions.com

s Jet

www.marquisjet.com

iation

www.tagaviation.com

Consumer Products/Services

Jura-Capresso IMPRESSA Z5

The first and only automatic coffee center that creates cappuccinos or lattes with one push of a button without moving the cup.

Visit www.capresso.com

TaylorMade® Golf

TaylorMade is driven by tour pros who covet Major Championships, scoring titles and Ryder Cup berths. Available through Brainstorm Logistics, LLC.

Call 1-800-840-4733 ext. 3238.

Fragrances

Giorgio Armani Fragrances

Discover the new on-line boutique and receive complimentary shipping for holiday purchases of \$100 or more. Enter promo-code at check-out: FORBES Giorgio Armani premieres www.giorgioarmanibeauty.com

Hotel

Raffles Hotel

Visit www.affleshotel.com

Jewelry/Watches

Aaron Basha

Aaron Basha is an unconventional brand that brings style, elegance and whimsy to every design. "Every day should be a holiday to celebrate life."

Call 1-212-935-1960 or visit us at

www.aaronbasha.com

Chopard

For 141 years, Chopard has created exceptional timepieces and haute jewelry in the world's most precious materials. Enter the "World of Chopard" at www.chopard.com or call (800)-CHOPARD

Ebel

Founded in 1911, Ebel defines the standard of excellence in quality timepieces. With luxurious, contemporary designs, Ebel is the quintessential accessory for those who equate life with style.

Visit www.ebel.com

Roger Dubuis

Call 1-570-970-8888 or visit

www.rogerdubuis.com

Precious Metals Investing

The Capital Gold Group

Visit www.thecapitalgoldgroup.com

Present Perfect: The Ultimate Gift Guide

BMW

Visit www.bmwusa.com

Rymax Marketing Services, Inc.

Call 1-800-379-8073 ext. 3235 or visit

www.rymaxinc.com

Timepieces International

Call 1-800-550-8463 or visit us at

www.timepiecesusa.com

Restuarants

Roy's

Roy's features Hawaiian fusion cuisine - the freshest local ingredients, European sauces, bold Asian spices, with a focus on fresh Seafood.

Visit www.roysrestaurant.com

Retail

Chait Gallery

With customers in over 38 countries, the Chait Gallery in Beverly Hills is one of the most sought-after and trusted Fine Art Auction Houses.

Call 1-310-285-0182 or visit www.chait.com

Davidoff

To purchase Davidoff handmade premium cigars and cigar accessories, visit www.davidoffmadison.com or to find the nearest Davidoff store location, call 1-800-213-2340.

The Best in Electronics for 2005

LG Electronics

Visit www.lge.com

Travel

Dream Catcher Retreats

Dream Catcher Retreats - Private Luxury Destination Club Enjoy carefree, memorable vacations in spectacular homes in the world's most desirable destinations.

Call 866-618-3954 or visit www.dcr.com/fyi

Yachting

Chub Cay

Visit www.chubcay.com

Global Ship Systems

Visit www.globalshipsystems.com



cds

THE BRICK, Talking Heads; Rhino; \$150

Few bands are easier to mythologize than Talking Heads. In the dozen or so years that they went from Max's Kansas City to Madison Square Garden, the quartet created a body of work incomparable among their peers in both consistency and complexity. The blend of funky, driving, eminently danceable drum-and-bass lines paired with twisting, swooping melodies, sung with disarming cheer by the preternaturally twitchy David Byrne, made them instant darlings in the nascent alternative scene. The new Rhino eight-disc box set, *The Brick*, brings the band's legacy into sharper focus. It's presented in customarily inscrutable Heads fashion, with the names of the songs in raised relief on the box, but no labels on the actual jewel cases themselves. The discs are dual-sided; the DVD sides contain video footage of live performances, music videos or extra audio tracks. The band's guitarist, Jerry Harrison, supervised the remix into a 5.1 surround format, and the later recordings fare best—early Heads, such as *Fear of Music* and *Talking Heads: 77*, were recorded quickly, often in one take or on a simple 16-track recorder. Later work, like *Speaking in Tongues*, shines in all its complexity and richness in 5.1. The video footage underscores that the Heads were ahead of their time, too, in their mastery of image manipulation,

but like the songs themselves, the videos present more questions than they answer. The band sang of life in late-20th-century America (they broke up after 1988's *Naked*), but the point of view has always been hard to parse. "We're on a road to nowhere/Come on inside" they chorused in 1985. Were the Heads critiquing rampant consumerism and bourgeois values? Celebrating them? Observing them as simple fact? You can listen to *The Brick* to try to discern the answers, but in the meantime, don't forget to dance.

—LORRAINE CADEMARTORI

NINO ROTA, Orquestra Ciudad de Granada; Harmonia Mundi; \$19



There is music that lives on in the history books and music that just lives on. Consider Nino Rota (1911–79), who spent most of his adult life as a respected teacher. The catalogue of his symphonic works and operas is far from negligible, but it was the cinema that wrote his pass to immortality. A child prodigy of impeccable academic credentials—his oratorio *The Childhood of John the Baptist* made quite a splash when he was 12—Rota grew up to score almost every film Fellini ever made, plus *The Godfather*, Zeffirelli's *Romeo and Juliet*, King Vidor's *War and Peace* and much, much more. Imagine the world without the honky-tonk verve, the melancholy, the baroque pastiche and moody romanticism of Rota's soundtracks. That's a world you wouldn't recognize. This tribute from conductor Josep Pons and the Orquestra Ciudad de Granada shows Rota in all his seductive variety. A suite from his ballet of *La Strada* (after Fellini) conjures up scenes of carnival life; the unforgettable trumpet solo, tinged with heartbreak, sounds as unpremeditated as the song of a bird. Next comes the concert bauble "Concerto Soirée": mercurial, elegantly crafted, infectiously melodic. (Rota's student Benedetto Lupo plays the piano part with debonair authority.) The final sequence of the album recalls Luchino Visconti's *The Leopard* in a brilliant suite of ballroom dances, including

Rota's orchestration of an unpublished waltz by Verdi, appropriated seamlessly and without apology. —MATTHEW GUREWITZ



ONE DOWN, ONE UP, John Coltrane; Impulse; \$25

In 1965, John Coltrane and his most storied quartet—McCoy Tyner on key, Jimmy Garrison on bass and Elvin Jones on drums—played a series of after-hour engagements at a downtown Manhattan club called the Half Note. The shows were broadcast live on the radio, but Coltrane's label, Impulse, never released them as LP. Only fuzzy bootlegs and tapes of the broadcasts survived, yet the performances became legendary among saxophone players. Then in 1991, Coltrane's son Ravi found high-quality reel-to-reels of a few shows in a closet in his childhood home, and this month, Impulse will release them on a double-CD set. In glorious stereophonic sound, these recordings present the artist in his final and most experimental phase. (He would die of cancer just two years later.) His playing is ferocious, often verging on unhinged. "My Favorite Things," for example, starts out sounding quite similar to the 1960 studio recording, then devolves into 20 minutes of improvisational mayhem. Some sax players consider Trane's solo on the title track, "One Down, One Up," to be among the greatest of all time. Unlike a lot of free-form '60s era jazz, these performances never lose their center of gravity, thanks largely to the steady musicianship of Coltrane's sidemen, who keep him tethered to Earth, no matter how stratospheric his solos. One can only imagine how this music—still jarringly modern today—sounded to the somnics who heard it on the radio years ago. —TJ

ENJOY THE SOUND EVEN MORE.

The highly reviewed Bose® Wave® music system is now available with an optional Multi-CD Changer.

When the Bose® Wave® music system was introduced, Jonathan Takiff of the *Philadelphia Daily News* said, "This sleek, compact music maker couldn't be easier to operate. Yet sophisticated technology hidden inside makes this an extraordinary performer." Today, the system offers you even more, thanks to an optional Multi-CD Changer that has been designed exclusively for the Wave® music system.

Elegantly small, with sound that brings new life to music. Hear the Wave® music system for yourself. *Forbes FYI* says, "you'll think you're listening to a...sound system that costs five times more." David Novak, the Gadget Guy, adds, "It can easily replace whatever component system you currently have." And the Wave® music system fits almost anywhere — living room, kitchen, bedroom or office.



The Wave® music system shown in Graphite Gray.

New, optional Multi-CD Changer lets you enjoy premium sound for hours on end. Just slide one of your favorite CDs or MP3 CDs into the Wave® music system and three more into the Multi-CD Changer. They work as one to deliver performance after encore performance of what *Newsday's* Stephen Williams calls "rich, fulsome sound and extraordinary timbre."

All-in-one simplicity. A credit card-style remote control lets you easily operate both the Wave® music system and Multi-CD Changer. It's a convenience you'll appreciate when playing CDs or MP3 CDs, tuning into FM/AM radio or setting the clock and alarm.

Take advantage of our 30-day, risk-free trial. Order the Wave® music system today. Better yet, order it with our new Multi-CD Changer. With our Excitement Guarantee, you'll get 30 days to try them together in your own home. Compare the sound to larger, more expensive stereos. You may find that although much smaller, the Wave® music system sounds more realistic. When you call, ask about making **12 easy payments**, with no interest charges from Bose.* The Wave® music system and Multi-CD Changer. From Bose, the most respected name in sound.

**FREE
EXPRESS
SHIPPING
when you
order by
Dec. 31, 2005.**

To order or learn more, call today
1-800-611-1718, ext. TH533

Discover all our innovative products at
www.bose.com/th533

BOSE®
Better sound through research®



NEW: Optional Multi-CD Changer.

edit card rules and interest may apply. U.S. residents only. Limit one active financing program per customer. ©2005 Bose Corporation. Patent rights issued and/or pending. The Wave® music system's distinctive design is also a registered trademark of Bose Corporation. Financing and free express shipping offer not to be combined with any other offer or applied to previous purchases, and subject to change without notice. Risk free refers to 30-day trial only and does not include return. Delivery is subject to product availability. Quotes reprinted with permission: Thomas H. Johnson, *Forbes FYI*, Winter/04.



A Class Menagerie

Tim Wisgerhof arrived in New York City roughly a decade ago with a background in acting, painting and designing for the stage. In 2000, Saks Fifth Avenue in New York selected him to decorate its famous holiday windows, a must-see stop for shoppers from all over the world. Each year, the windows surprise them—and sometimes even their fun-loving creator. *FYI*'s Adam McCollum recently tracked down Wisgerhof in his workshop.

Do you have fond memories of window displays from your childhood?

I remember pushing my face to the window of Younkers department store in downtown Des Moines, Iowa—the mannequins, the cotton batting snow and a train running around. I lived somewhere between *A Christmas Story* and *National Lampoon's Christmas Vacation*.

You do this all year, every year. How do you keep it fresh?

Last year we did a modernist interpretation of Christmas: a lot of steel and black glitter and white lacquer. This year it's a little more romantic and poetic. There are times when I like soft grays and blacks, but the expression of who I am is primarily strong, bold colors. This year the background of each box is an amazing jewel tone....They're really going to dance on the Avenue!

Be honest. Do you look at your competitors' windows and think, "I could have done better"?

People don't believe me when I say this, but I don't have a sense of competition with any of the other retailers. It's true. Each store has its own personality and so do the other designers: David Hoey and Linda Fargo at Bergdorf, Simon Doonan with Barneys, Manoel Renha from Lord & Taylor....They're all wonderful. Brilliant.

What's considered taboo...going too far?

I think you stay away from politics, and don't get too symbolic.

The holidays are about being close to the people you care about. It's the one time of the year we smile at each other on the street.

But surely you get stressed. Have you ever assaulted an elf?

I've been known to snarl at children. Elves and small children. I've only been caught on tape snarling at children once. I've snarled at my team more than that. I don't know if I have a temper—just strong opinions. Let's put it that way.

Do you catch yourself watching people react to your windows? Absolutely. And it's funny, because you get all sorts of reactions. No matter what you do, someone's going to love it and someone's going to hate it.

Really? People react negatively to Christmas windows?

Well, one year we had a window that depicted bad elves playing on a serious, foreboding toy. People didn't take the time to stop and read the story. We got comments like, "Why do you have the devil in the window?" It was just a bad toy!

In windows past you've incorporated mannequins. You realize they're very creepy, right?

We have almost 100 mannequins in the windows at any time, but down in our "world" by the offices, we have anywhere from 300 to 500. Rows and rows of them. At first they unnerved me, but now they're friends. Coming from the theater, I think of them as really cooperative actresses. You can nail them down to the floor and they don't talk back or move. It's just a job.

What do you want for Christmas this year?

The team starts building these displays in July—and we open on Monday, November 21. I already have sketches for this year's windows. I think what I'd like for Christmas is to just think about Christmas for a little while.

And what are you giving this year?

I'm giving these huge windows! •

REINVENTING THE WHEEL BY EMPOWERING ALL FOUR All four tires sharing 255 hp, 40/60 rear-bias split for even greater performance. Responsive, left/right adjustable torque as conditions demand. Welcome to performance-tuned AWD, now available on the STS V6. Cadillac STS V6 starting at \$41,740.*

STS



BREAK  THROUGH

A year of OnStar safety, on every Cadillac.** Details at cadillac.com.

*MSRP: STS V6 as shown \$46,675 MSRP. Tax, title, license, dealer fees and other optional equipment extra.

**Standard one-year OnStar service varies by model. Call 1 888 4ONSTAR (1 888 466 7827) or visit onstar.com for system limitations and details.

©2005 GM Corp. All rights reserved. Break Through® Cadillac® Cadillac badge® OnStar® STS®



Speedy Watch. Automatic Chronograph.
LEWIS & CLARK LIMITED EDITION. www.louisvuitton.com 800-LOUISVUITTON

LOUIS VUITTON

December 26



CK

\$1.2 Billion

3 9042 06434387 1

DECEMBER 26, 2005 | WWW.FORBES.COM

Forbes

Collecting 2006 ANNUAL GUIDE Smart



\$1.1 Million
The Babe's
Jersey



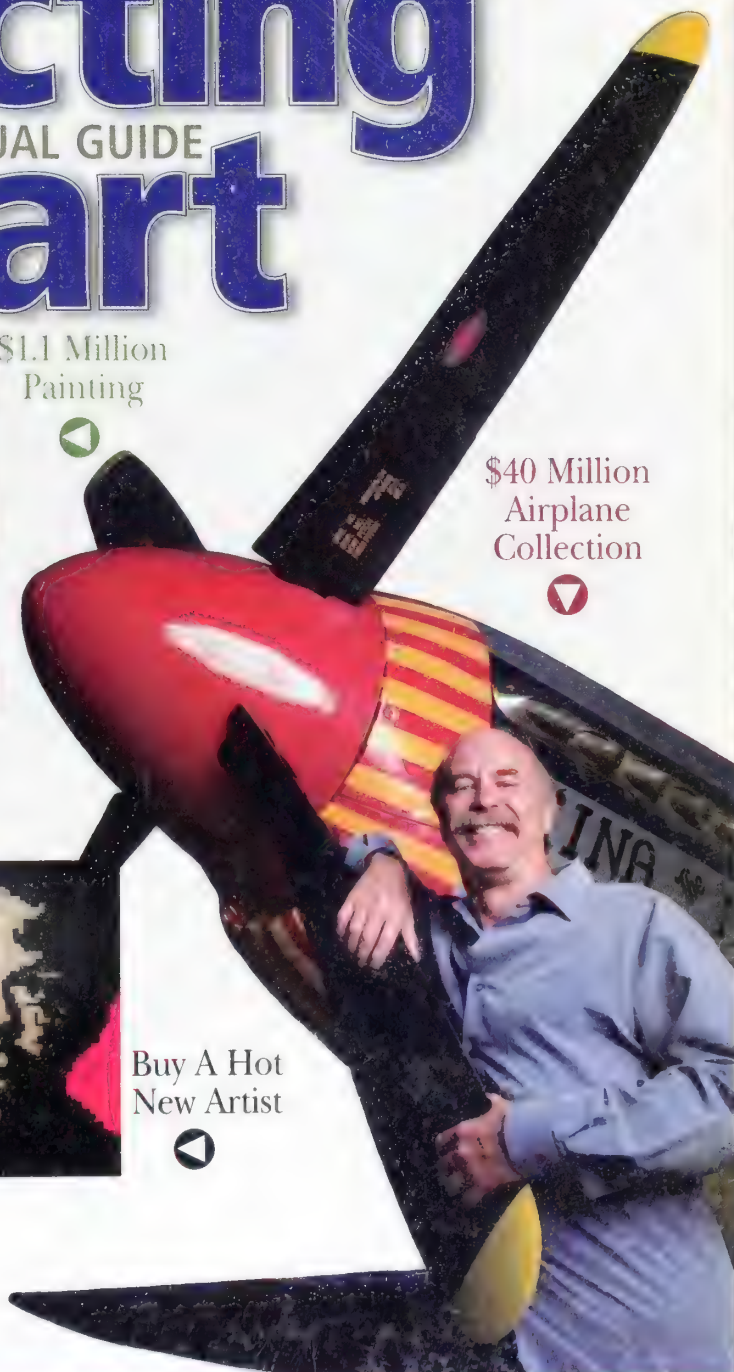
\$1.1 Million
Painting



\$27.7 Million
Yuan Dynasty
Vessel



\$40 Million
Airplane
Collection



Buy A Hot
New Artist

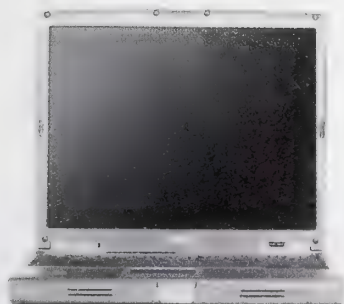


*****AUTOMATED** SCH 5-DIGIT 94010
BURLINGAME
DEC 19 2005
LIBRARY 010 103



Dell cannot be responsible for errors in typography or photography. Dell, the Dell logo and Latitude are trademarks of Dell Inc. Intel, Intel Inside, the Intel Inside logo, Intel Centrino and the Intel Centrino logo are trademarks or registered trademarks of Intel Corporation or its subsidiaries in the United States and other countries. Microsoft and Windows are either registered trademarks or trademarks of Microsoft Corporation in the United States and/or other countries. © 2005 Dell Inc. All rights reserved.

BUILT TO WITHSTAND THE
**SLINGS AND
ARROWS OF THE
ROAD
WARRIOR.**



**Dell recommends
Windows® XP Professional**

**THE DELL™ LATITUDE™ D610 NOTEBOOK FOR
BUSINESS FEATURES THE MOBILITY OF
INTEL® CENTRINO™ MOBILE TECHNOLOGY.**

DELL'S TOUGH OUTER SHELL.

Aluminum, magnesium and steel are forged to create the Tri-Metal Chassis on the Dell™ Latitude™ D-Family Notebooks featuring Intel® Centrino™ Mobile Technology. It's a notebook that is built to take the abuses of the road. The tough Dell Latitude. This notebook is right on target.



Click www.dell.com/tough32

Call (toll free) 1.866.212.9336





With Sybase® software, BNSF Railway Company developed a mobile application that enables remote workers to document railway maintenance and:

- ☒ **Cuts data entry time by approximately 50 percent,**
increasing productivity across North America
- ☒ **Provides more accurate and timely data** so track repairs
and upgrades are completed on schedule
- ☒ **Delivers software and database updates automatically**
without affecting the performance of users in the field

For most organizations, maintaining 32,500 miles of rail lines would be a colossal headache. But for BNSF Railway Company, it has become a competitive advantage. Because they have an information edge that comes from Sybase SQL Anywhere® and Adaptive Server® Anywhere software. Now, BNSF remote workers can input data on location (vs. waiting until the end of the day). Headquarters has more visibility into the field. And maintenance decisions are made more proactively. Just a few reasons why more and more global companies are using Sybase every day to keep their business on track. www.sybase.com/infoedge36

To us, having the best memory also means



At Samsung we realize that to succeed in business, we must also succeed in life.

We're proud to be a world leader in manufacturing superior high-capacity memory chips. But perhaps more important are our continuous efforts to help children and communities so that they'll have memories that will last a lifetime. It's all a part of our drive and dedication to make this a better world.

www.samsung.com

A better world is our business.

forgetting those in need.



SAMSUNG

Ebel 1911 Chronograph

Introducing the 1911 Automatic Chronograph. A sportive tribute to the year Ebel was founded. COSC certified Calibre 137 Ebel-manufacture movement. Solid 18K rose gold. Guilloché dial. Sapphire crystal and case back. Water resistant.

www.ebel.com



EBEL

THE ARCHITECTS OF TIME

Forbes

Contents

DECEMBER 26, 2005 | VOLUME 176 NUMBER 13

On the Cover

The 2006 Collectors Guide

108 | Positively Sizzling What's hot in the collecting world? Try Chinese ceramics, female abstract expressionists, the Babe's jersey and more. *By Missy Sullivan*

110 | Blame Snoopy Kermit Weeks amassed the biggest private collection of vintage aircraft. Now he wants to use it to liberate the human spirit. *By Alan Farnham*

116 | Passion Plays What turns collectors into thieves? *By Joshua Levine*

124 | Duck Calls Wooden decoys were designed to lure migrating waterfowl. Now they are attracting much bigger game. *By Monte Burke*

128 | Indian Summer A newly acquisitive middle class plus a limited supply of canvases equals boom times for modern art from the subcontinent. *By Susan Adams*

130 | The Selling of a Bad Boy How do you market a hot young painter who has a rap sheet and an aversion to art dealers? *By Dirk Smillie*

LSO:

134 | Icahn Versus Time Warner Carl Icahn wants Time Warner Chief Richard Parsons out. Parsons says he ain't budging. *By Brett Pulley*

136 | \$1.2 Billion Hedge Fund Horror The feds say Michael Lauer built his \$1.2 billion hedge fund on deceit and lies. But two and a half years after they put him down, he still hasn't gone to trial. *By Bernard Condon*

140 | New Wheels From Toyota In 2006 the automaker will unveil a lineup of new cars and trucks that could seriously damage the Big Three—as well as the other Japanese makers and the Germans, too. *By Jerry Flint*



Contents

DECEMBER 26, 2005

12 Index

14 Side Lines

18 Readers Say

21 **Fact and Comment** | **Steve Forbes** on why U.S. economic policy makers should get more involved in Indonesia.

26 **Other Comments**

31 **Current Events** | **Lee Kuan Yew** says only a U.S.-led global coalition can stop Islamic terrorism.

33 **Digital Rules** | **Rich Karlgaard** argues that blogs are a force for good.

34 **Informer** | Kenny Rogers folds 'em; Don't like the IRS? Try working there.

36 **On My Mind** | **The U.S. Airline Industry**
By Robert L. Crandall

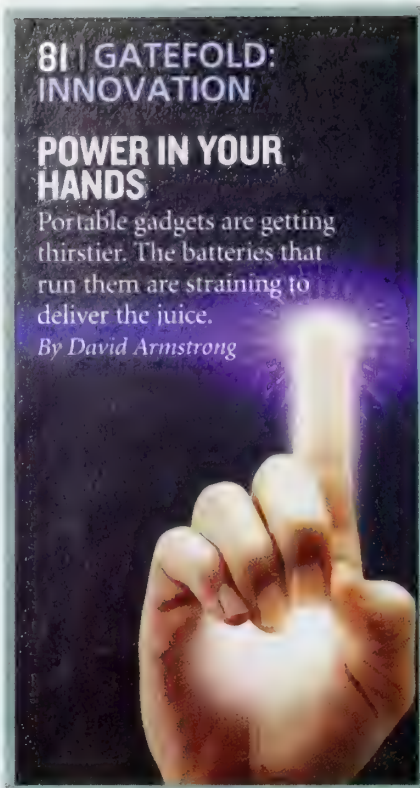
40 **Follow-Through** | **Flashbacks**

148 **Thoughts**

OUTFRONT

48 **The Chevy's in the Levee** Another woe for Detroit automakers: Their dealers are throwing in the towel.
By Joann Muller

50 **Congress' Fuzzy Ethics Rules** You'll be surprised at what's legal.
By Janet Novack and Matthew Swibel



81 | GATEFOLD: INNOVATION

POWER IN YOUR HANDS

Portable gadgets are getting thirstier. The batteries that run them are straining to deliver the juice.

By David Armstrong

52 **Rise, Lazarus** How to bring Merck back from the dead. By Matthew Herper

52 **Sticker Shock** Even consumer advocates are complaining about warning-label overkill. By Daniel Fisher

54 **Donald Trump's Chicago Brawl** The famous developer finds himself facing off against Ritz-Carlton founder Horst Schulze. By Stephane Fitch

MONEY & INVESTING

58 **Where Did the Money Go?** You win a big judgment, but the defendant has hidden his assets in an offshore account. Here's how to collect.
By Seth Lubove

62 **Live Within Your Means** Don't just go for dividend payers. Look for the companies that can afford to keep their dividends up. By Jack Gage

132 **Makers & Breakers** | Home Depot; Eastman Chemical; Regis Corp.; American Standard.

ENTREPRENEURS

71 **A Fine Mesh** Mikkel Vestergaard Frandsen's textiles make a good profit by doing good. But suppose the funding dries up? By Michael Freedman

TECHNOLOGY

74 **Speed, the New X Factor** We demand the newest electronics faster than ever before. Producers have found speedier ways to keep up. By Kerry A. Dolan

78 **Digital Tools** | **Sound of Musica**
By Stephen Manes

INTERNATIONAL

88 **The Thunder of Gröbel** Switzerland's fractious Credit Suisse Group was carried through scandal by its private bank. Now its accident-prone investment bank, CSFB, must prove itself. By Richard C. Morais

FINANCIAL COLUMNISTS

134 **Portfolio Strategy** | **The Integrity Premium** By Kenneth L. Fisher

136 **Yes, But** | **Wimping Out**
By James Grant

138 **Financial Strategy** | **The Coming Bernanke Bust** By A. Gary Shilling

FORBES LIFE

141 **The Adventurer** | **On, Fido!** These sle dogs probably couldn't keep up with Donner and Blitzen, but they are man's best friend for anybody traveling to Alaska. By James M. Clash

"He is not
the guy to
run this
company."

44

"What creditors
don't know about
can't be taken."

58



HOME

BUSINESS

TECHNOLOGY

MARKETS

ENTREPRENEURS

WORK

PERSONAL FINANCE

LIFESTYLE

LISTS

OPINIONS

Stay Current

Get the latest business news—and the FORBES perspective on it—during each business day directly from Forbes.com or via the following services from our site.



Forbes.com Attaché. Your choice of weather, sports scores, stock prices, news or articles from your favorite FORBES writers and more.

E-Mail Newsletters. Choose from 29 daily or weekly collections of our articles sent by e-mail.

RSS Feeds. We offer more than 50 RSS (Really Simple Syndication) feeds of FORBES content.

E-Mail Alerts. Sign up from any article on Forbes.com to get immediate e-mail notification of new stories of interest to you.

Business News Alerts. A desktop application that alerts you when big business news breaks or when we publish new investment, lifestyle or video features.

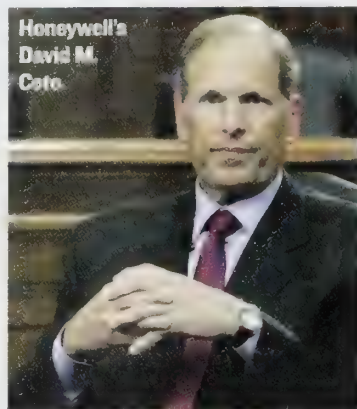
More for Investors

AT&T's 1984 divestiture has come full circle with one of the Baby Bells, SBC Communications, buying what was left of the old AT&T and adopting its name and ticker. Go to Forbes.com for an interactive price history of AT&T and its 1984 spinoffs. Also: The Forbes/StarMine Best Analysts chime in with their 30 favorite stock picks for 2006.

Forbes.com Video Network

CEO Spotlight

By Albert Bozzo



Honeywell's
David M.
Cote

In an exclusive two-part interview chairman and chief executive of Honeywell, David M. Cote, talks about running a global technology giant and discusses a host of issues facing corporate America—from health care to tort reform to corporate

governance. Plus: In the latest episode of his investment program, *StreetTalk*, FORBES National Editor Robert Lenzner talks to Howard Sontag of Sontag Advisory about his uncanny ability to pick top-performing mutual funds. See: www.forbes.com/video.

Lists

The Forbes Fictional 15

By Michael Noer and David M. Ewalt

In our attempts to understand the superrich, we are often guilty of reducing real people to caricatures—the monopolist, the oracle, the genius, the thief. With the Forbes Fictional 15 we have taken the opposite approach—fictitious characters, such as Daddy Warbucks, are elevated to the status of real people.

Lifestyle

Holiday Gift and Survival Guides

By Charles Dubow and Julie Watson

Go to Forbes.com for our annual year-end gift guides for car lovers, travelers, health nuts, gadget freaks, wine lovers and homeowners. Plus our picks of affordable luxuries and downright expensive ones—from the priciest jeans to the most expensive watches and the fastest American cars. And check our ID theft-prevention tips, our advice on how to budget for the holidays and how to survive holiday parties. And if all else fails, we give you ten healthy reasons to drink during the holidays.

Forbes Magazine



Rich
Karlgaard

More From Our Columnists

Digital Rules: The Blog. Rich Karlgaard expands his column into the blogosphere with daily posts as he searches out great thinkers and big ideas.

Collectors Guide

The 2006 edition. For year-round coverage of what's hot in the world of collecting, collectibles and the auction house see www.forbes.com/collecting

Forbes Lists

See www.forbes.com/lists for a FORBES annual lists.

Search Our Archive

Past FORBES magazine articles are available on our Web site.

Forbes Podcasts

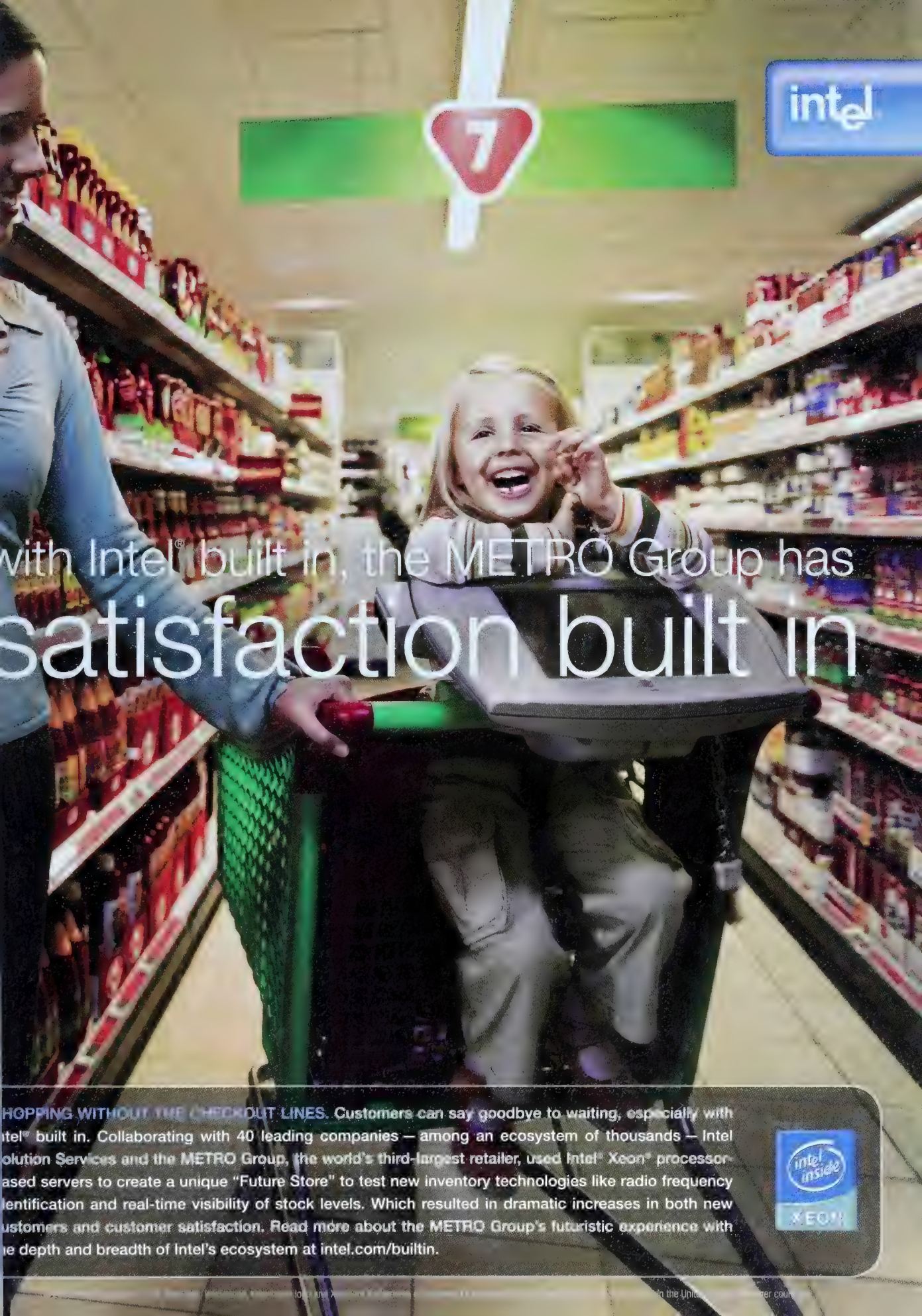
Highlights from our weekly radio show are available as podcasts from our site.

Forbes

For links to items mentioned on this page: www.forbes.com/extra

For complete contents of this issue: www.forbes.com/forbes.

By Mail: Forbes magazine
60 Fifth Avenue
New York, NY 10011



intel

with Intel® built in, the METRO Group has
satisfaction built in

HOPPING WITHOUT THE CHECKOUT LINES. Customers can say goodbye to waiting, especially with Intel® built in. Collaborating with 40 leading companies — among an ecosystem of thousands — Intel Solution Services and the METRO Group, the world's third-largest retailer, used Intel® Xeon® processor-based servers to create a unique "Future Store" to test new inventory technologies like radio frequency identification and real-time visibility of stock levels. Which resulted in dramatic increases in both new customers and customer satisfaction. Read more about the METRO Group's futuristic experience with the depth and breadth of Intel's ecosystem at intel.com/builtin.



Index

COMPANIES AND PEOPLE IN THIS ISSUE

A, B, C

A123, 83
AT&T, 62
Aronoff, Jack A., 50
Adamson, Simon, 89
Adelphia, 45
Adkisson, Jay D., 59
Anmadinejad, Mahmeud, 31
Alaska Airlines, 141
Alaskan Arctic Adventures, 141
Altair Nanotechnologies, 83
American Standard, 132
Amercib, 60
Anderson, Denyse, 60
Anderson, Michael, 60
Apple Computer, 74
Asset Protection, 60
BDO Seidman, 134
BHP Billiton, 112
Balcom, James, 83
Bank of America, 52
Barclays Capital, 89
Barish, Christopher, 130
Barish, Michelle, 130
Barnes & Noble Booksellers, 74
Bear Stearns, 60
Bel Air Partners, 48
Berchtold, Walter, 90
Bernanke, Ben S., 138
Bernstein, Richard, 62
BetaBatt, 84
William Blair, 132
Bonhams & Butterfields, 109
Borders, 74
Boston Consulting Group, 83, 89
Brandman, Stephen, 130
Breitwieser, Stephane, 116
Brinks, 134
Bush, George W., 31
Byron, Christopher, 98
Calello, Paul, 94
Cassady, Alison, 52
Celeste, Christopher, 74
Celeste, Richard, 77
Chaudhri, Rajiv, 128
Christie's, 108, 128
Chrzanowski, Joseph, 50
Chukumba, Anthony, 132
Clark, Richard, 52
Clinton, Bill, 72
Coeur D'Alene Art Auction, 108
Comcast, 45
Compal Electronics, 74
Cowen, Bruce, 98
Credit Suisse First Boston, 89
Creditsights, 89
Csizmazia, George, 118
Cunningham, Randy, 50
Cymbet, 85

D, E, F

DaimlerChrysler, 100
Dechert, Douglas, 130
Deitrich, Thomas, 74
DeLay, Tom, 50
Dell, 40, 74
Deloitte Touche Tohmatsu, 134
Deutsche Bank, 52, 90
Dixit, Madhuri, 129
Dodiya, Anju, 129
Donlevy-Rosen, Patricia, 59
Dougan, Brady, 94
Dovey, Sebastian, 90
Druckman, Nancy, 124
Dutta, Prajit, 129
Eastman Chemical, 132

Eaton, 134
Ernest & Young, 134
Evans, Robb, 59
Falor, Robert, 54
Fantasy of Flight, 110
Feller, John Quentin, 116
Fidelity First, 98
Figge, Thomas K., 124
Findaway, 74
Flextronics International, 40, 74
Flowserve, 134
Ford Motor, 48, 100
Frandsen, Mikkel Vestergaard, 71
Franklin Mutual Advisers, 46
Friedkin, Thomas, 112
Fulcrum Global Partners, 132

G, H, I

Gadeken, Larry, 83
Gamco, 46
Gates, Bill, 72
Geffen, David, 108
General Electric, 40
General Motors, 48, 100
Google, 46
Grant Thornton International, 134
Greenspan, Alan, 136, 138
Griffith, Lloyd Tayloe, 126
Grubel, Oswald, 89
Gupta, Subodh, 129
Guyette & Schmidt, 124
Hadley, Stephen J., 21
Haverty, Lawrence, 46
Heritage Organization, 40
Herschend, Jack R., 34
Herschend, Peter, 34
Herwitz, Davida, 129
Hewlett-Packard, 40, 74
Holtsberg, Warren, 86
Home Depot, 132
Honda Motor, 48, 100
Hunton & Williams, 98
Husain, Maqbool Fida, 128
Icahn, Carl C., 44
Infinity Broadcasting, 18
Intel, 83
Inventec, 74
Isuzu, 100

J, K, L

JANA Partner, 46
Raymond James Financial, 52
Johnson, Damon, 130
Johnson, Richard, 130
Johnson & Johnson, 14
Jones, John Gordon, 59
Jones, Quincy, 46
Jones Day, 60
Juncker, Jean-Claude, 136
KPMG, 134
Keats, Andrew, 83
Keller, Maryann, 50
Kelly, Michael, 46
Kidder Peabody, 97
Kielholz, Walter, 90
King, George, 77
King Eider Inn, 141
Klein, Gary, 54
Kornman, Gary M., 40
Krensavage, Michael, 52
Kroll, Mitch H., 74
Kruzer, 134
Kumar, Ram, 129
Kyocera, 74
Lambert, Robert, 59

Lancer Group, 96
Lauer, Michael, 96
Lawrence, Stephan Jay, 60
Lazard, 44
Lighthouse Fast Ferry, 98
Loews, 21
Lomax, Rachel, 136
Lowe's, 132

M, N, O

Mack, John, 90
Mackenzie, Simon, 118
Manulife Financial, 134
Marshall, Jeremy, 91
Martek Biosciences, 97
Martin, Christopher, 34
Mayes, Anne, 85
Mazumdar, Chittrovanu, 129
McCleery, James, 126
McCullough, David, 77
McMahon, Brian, 62
Mehta, Tyeb, 128
Merck & Co., 52
Merrill Lynch, 62, 90
Microsoft, 62
Miller, Gretchen, 74
Mitchell, Thomas, 74
Mitsch, Frank J., 132
Mitsubishi Motors, 100
Morgan Stanley, 90
Morningstar, 132
Motorola, 40, 74, 86
Munich Re, 40
Mark Murray Fine Paintings, 130
Nader, Ralph, 52
Nakagawa, Hidenao, 136
NanoMarkets, 84
Nardelli, Robert L., 132
Natesan, Shibu, 129
Neuser, Gary, 94
Newcomer, Clarence, 118
News Corp., 46
Nissan Motor, 48, 100
Nokia, 74
Northeast Auctions, 109
O'Brien, Donal, 126
O'Brien, Stephen Jr., 125
OfficeMax, 74
Olive Media Products, 78
Oppenheimer & Co., 97

P, Q, R

Parnes, Joseph, 132
Parsons, Richard D., 44
Parton, Dolly, 34
Pfizer, 52
Philipp, Michael, 91
Phillips de Pury, 109
Polo Ralph Lauren, 134
Polyfuel, 83
PricewaterhouseCoopers, 98, 134
Priesmeyer, William, 86
Pukke, Andris, 60
Putnam Investments, 34
Quanta, 74
Quattrone, Frank, 90
Quest Diagnostics, 134
Raza, Sayed Haider, 129
RealClear Politics, 33
Regis, 132
Rice, Condoleezza, 21
Ritz-Carlton, 54
Rogers, Kenny, 34
Roku, 78
Rosen, Howard, 59
Ryan, Barbara, 52

S, T, U

SAC Capitol Advisors, 46
SBC Communications, 62
SMX, 98
Sadoway, Donald, 83
Sandler, Sheldon, 48
Sanmina-SCI, 74
Sazonoff, Jonathan, 116
Scanlon, Michael, 50
Schering-Plough, 52, 134
Schott, Christopher, 52
Schulze, Horst, 54
Schuman, Steven, 60
Scorpio Partnership, 90
Sharp, 85
Shenstone, Clare, 130
Sonata, 78
Sonos, 78
Sony, 85
Sony Ericsson, 74
Sotbey's, 96, 108, 124, 128
Southwest Airlines, 36
Souza, Francis
Newton, 129
Spears, Britney, 96
Squires, Blake, 74
Steinberg, Martin, 98
Stevens, Jeffrey, 118
Stremmel, Peter, 108
Suzuki, 100
Swiss Re, 40
Taff, Adam, 50
Talwar, Deepak, 129
Taubman, Alfred, 96
Tech Central Station, 33
Tech-Sym, 97
Tekion, 86
Thomson Financial, 94
Thornburgh, Richard, 89
3M, 85
Tidwell, John, 141
Time Warner, 44
Tonelli, Donna, 126
Toshiba, 83
Toyota Motor, 48, 100
Trichet, Jean-Claude, 136
Trump, Donald, 54
Tudor Jones, Paul, 124
Twerski, Aaron D., 54
UBS, 89, 129
United Technologies, 132

V, W

Vaughan, Norman, 141
Vazirani, Dinesh, 129
Vestergaard Frandsen, 71
Viacom International, 44
Vinik, Jeffrey, 97
Volta, Alessandro, 84
Wal-Mart Stores, 74
Watson, Herman, 118
Weeks, Kermit, 110
Wells Fargo, 124
Wheat, Allen, 89
Williams, John B., 60
Wittman, Robert, 118
Wolf, Michael, 54

X, Y, Z

XL Insurance, 90
Yahoo, 46
Yudhoyono,
Susilo Bambang, 21
Zackia, Sharon, 132

FORBES is published biweekly, monthly in August, with an extra issue in April and October, by Forbes Inc., 60 Fifth Avenue, New York, NY 10011. **Subscriptions:** U.S.A., 0 year \$59.95. Canada, one year C\$89.95 (includes GST). **Forbes Subscriber Service** is available online. To subscribe, change your address, or for other assistance, please visit www.forbes.com or call 1-800-828-6286. Or write Forbes Subscriber Service, P.O. Box 5471, Harlan, IA 51593-0971. To purchase back issues of Forbes magazine, call 1-800-429-0106.

Where necessary, permission is granted by the copyright owner for those registered with the Copyright Clearance Center (CCC), 222 Rosewood Dr., Danvers, MA 01923, to photocopy articles owned by Forbes for a flat fee of \$1.50 per copy per article. Send payment to the CCC stating the ISSN (0015-6914), volume, and first and last page number of each article copied. Copying for other than personal use or internal reference, or of articles or columns not owned by Forbes without express permission of Forbes or the copyright owner is expressly prohibited.

To order reprints, call 212-620-1819 or fax 212-206-5118 or e-mail reprints@forbes.com (minimum order 500); to request permission to republish an article, call 212-620-1819 or fax 212-206-5118. Reprints reproduced by others are not authorized.

grand cru



Making more possible



ABN·AMRO

Editor

WILLIAM BALDWIN

Managing Editor

PAUL MAIDMENT

Executive Editor and Editor, Forbes.com

PAUL MAIDMENT

Executive Editor and Editor, Forbes Asia

TIM W. FERGUSON

Deputy Managing Editor

Assistant Managing Editors: Jean A. Briggs, Steve Kichen, Tom Post, Larry Reibstein

Art and Design Director: Robert Mansfield

Editorial Counsel: Lynn B. Oberlander

Editorial Director, Foreign Editions: Katarzyna Wandycz Moreno

Editorial Director, Forbes Asia: Karl Shmavonian

National Editor: Robert Lenzner

Senior Editors: William P. Barrett, Phyllis Berman, Alan Farnham, Daniel Fisher, Robert Langreth, Larry Light, Daniel Lyons, Elizabeth MacDonald, Robyn Meredith (Asia), Richard C. Morais, Peter Newcomb, Michael K. Ozanian, Brett Pulley,

Matthew Schiffrin, Bruce Upbin, Merrill Vaughn, Neil Weinberg, Melanie Wells

Contributing Editors: Justin Doebele, Lydia Forbes, Joanne Gordon, Joshua Levine, Dana Wechsler Linden, Dyan Machan, Toni Mack, Stephen Manes, Richard Phalon, Dan Seligman

Associate Editors: Susan Adams, Kurt Badenhause, Scott Bistayi, James M. Clash, Bernard Condon, Mary Ellen Egan, Nikhil Hutheesing, Deborah Markson-Katz, Luisa Kroll, Deborah Orr, Penelope Weiss

Staff Writers: Monte Burke, Carrie Coolidge, Ashlea Ebeling, Jonathan Fahey (Detroit), Allison Fass, Lea Goldman, Tomas Kellner, Daniel Kruger, Michael Maiello, Chana R. Schoenberger, Nathan Vardi

Senior Reporters: Nicole Ridgway, Deputy Chief; David Armstrong, Kiri Blakeley, Heidi Brown, William Heuslein, Susan Kitchens, Matthew Miller, Dirk Smillie

Reporters: Helen Coster, Elizabeth D. Gravitt, Suzanne Hoppough, Megan Johnston, Amanda Schupak, Tatiana Serafin, David Serchuk, Andy Stone

Editorial Assistants: Michele Anderson, Suzanne Dottino, Amanda Ernst, Lucretia McFadden, Victoria Somers

Washington Bureau: Janet Novack, Manager; Andrew T. Gillies, Matthew Swibel, Cristina von Zeppelin, Tim Doyle

West Coast: Seth Lubove, Manager; Scott Woolley, Stephanie Fitch, Dorothy Pomerantz, Evan Hessel

Silicon Valley: Quentin Hardy, Manager; Elizabeth Corcoran, Kerry A. Dolan, Zina Moukheiber, Senior Editors; Victoria Murphy Barret, Erika Brown, David Whelan, Patricia Huang

Midwest: Mark Tatge, Manager; Emily Lambert, Christopher Steiner (Chicago); Joann Muller, Manager (Detroit)

Southwest: Christopher Helman

Europe: Michael Freedman, Manager

Pacific: Tim Kelly, Manager; Kiyoe Minami (Tokyo); Russell Flannery, Manager (Shanghai)

Columnists: Laszlo Birinyi Jr., Marilyn Cohen, David Dreman, Kenneth L. Fisher, Jerry Flint, James Grant, Steve H. Hanke, Lisa W. Hess, Peter Huber, Richard Lehmann, John W. Rogers Jr., A. Gary Shilling

Art Department: Ronda Kass, Deputy Art Director; Charles Brucaliere, Anton Klusener, Senior Associate Art Directors; David Lada, Steven Ramos, Associate Art Directors; Mitsuyo Niwa, Art Assistant; Michele Hadlow, Senior Photo Editor; Stephen Aviano, Meredith Nicholson, Janice Pikey, Photo Editors; Leslie Kippen, Contributing Photo Editor; Gail Toivanen, Special Photography Projects and Research; Robin Regensburg, Traffic

Digital Imaging: Mark Decker, Director; Richard Nobile, Assistant; Elena Torres, Gavin Aghamore; Carmen Ramos, Migdalia Barreto

Statistics: Scott DeCarlo, Editor; Shlomo Reifman, Deputy Editor; Ann C. Anderson, Jody Yen, Senior Editors; Jack Gage, Lesley Kump, Brian Zajac, Associate Editors; John J. Ray, Samantha N. Wong, Researchers

Director of Editorial Programming: Mitchel Rand; John Chamberlain, Senior Programmer; Carl Subick

Copy Desk: Tracy Fiske, Deputy; Susan R. Goldberg, Richard Hyfler, Suzanne O'Neill, Craig Silver

Information Center: Natalie Cannestra, Assistant Director; Clarita Jones, Information Specialist; Luis Collazo Jr., Jacqueline Daniel, Queenie Flake, Staff

Manufacturing and Production: Mary S. Nemeth, Director of Manufacturing; Emili Alaburic, Michelle Ciulla, Donald R. Conway, Alison Kotch, James Morrow, Joanna Mikolajczuk; Nur Terpis, Production Manager, Forbes Asia

Information Technology: Louie Torres, Carolyn Agro-Buonocore, Bradford Campeau-Laurion, Peter Menoni, Managers; Esad Becaj, Philip Blake, Gabriel Chiong, Joseph Lodato, Tim Martin

Online: Dan Bigman, Charles Dubow, Michael Noer

FOUNDED IN 1917

B.C. Forbes, **Editor-in-Chief** (1917-1954)

Malcolm S. Forbes, **Editor-in-Chief** (1954-1990)

PAID CIRCULATION OVER 900,000 Printed in U.S.A.

Side Lines

Warning: Lawyers Write Dull Copy

The consumer movement has finally woken up to the fact that warning labels don't work. People just tune them out. See Daniel Fisher's story on page 52.

Fear of lawsuits, of course, is to blame for labelitis. To protect themselves, producers of consumer goods plaster their packages with warnings about every conceivable mishap. If you are so inclined, you can make sport of what results. A group called Michigan Lawsuit Abuse Watch has a collection of ridiculous warning labels. Among the gems: the label on the baby stroller that says, "Remove child before folding"; the one on a bottle of drain cleaner that says, "If you do not understand, or cannot read, all directions, cautions and warnings, do not use this product."

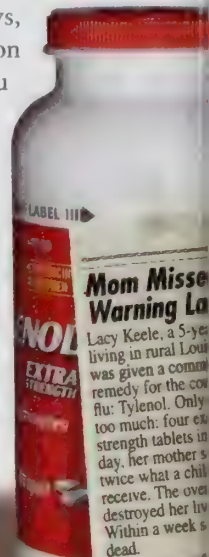
But rather than condemn their litigation—which just might be making stepladders and lawn mowers slightly safer—I would criticize lawyers for something else entirely, and that is their writing ability. (It's a fair assumption that lawyers are drafting those encyclopedic hazard warnings.) I propose that consumer product companies fire the lawyers who write safety warnings. Replace them with journalists.

Whatever our faults, and I know from the mail that we are not lacking in that regard, we journalists at least know how to draw the reader's attention. A little secret: Long-winded stuff doesn't get read. Capital letters and boldface fonts aren't going to save your story if it's boring. If you waste ink stating the obvious ("Use only as directed"), you will lose the reader before you get to the important things.

What works? Real-life examples, with vivid details. The clipping attached to the pill bottle above is, in fact, lifted from an old issue of FORBES. I submit that it would be far more effective in preventing accidental overdoses from acetaminophen than the usual Food & Drug Administration-approved, lawyer-mandated verbiage. Johnson & Johnson says it has done much to make the warnings on Tylenol larger and more visible. Commendable, but I think it's missing an opportunity.

What if a can of floor sealant mentioned the fellow who didn't realize that the fumes are heavier than air and can catch on a pilot light in the basement, and who died as a result? Or the gasoline-powered emergency generator came with a true-life story about what happened to the family that had one of these things running indoors?

William Baldwin
EDITOR

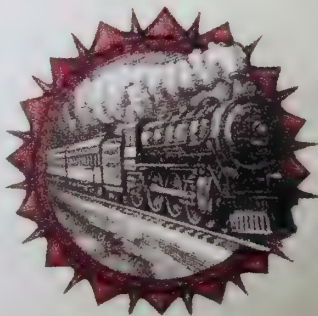


*In the 1930's, trains were the QUICKEST way to travel.
Of course, NOTHING could keep pace with news that*

THE GLENLIVET

was the first SINGLE MALT to arrive in AMERICA.

*The famed PULLMAN cars did
not run on COAL alone, they also
had the force of THE GLENLIVET
DRIVING them across the country.*



*FIRST-CLASS passengers hurriedly
clambered ABOARD to taste the
FIRST stateside servings of the
SINGLE MALT that started it all.*

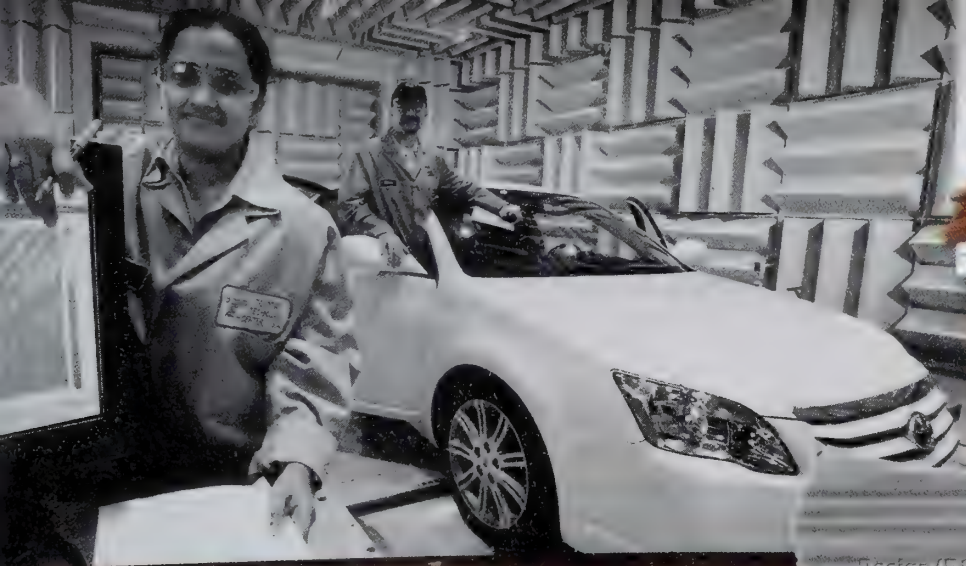
SINGLE MALT SCOTCH WHISKY 12



THE SINGLE MALT THAT STARTED IT ALL

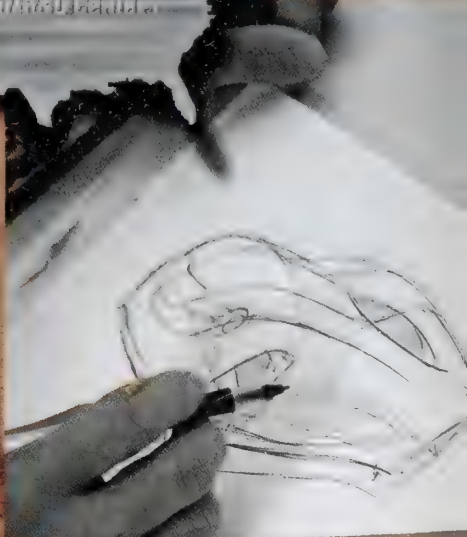


*2003 Center for Automotive Research study. Includes direct, dealer and supplier employees, and jobs created through their spending.
**Toyota vehicles and components are built using many U.S. sourced parts. ©2003



Toyota U.S. Operations
Total Jobs 366,000*
Total Investment \$13.5B

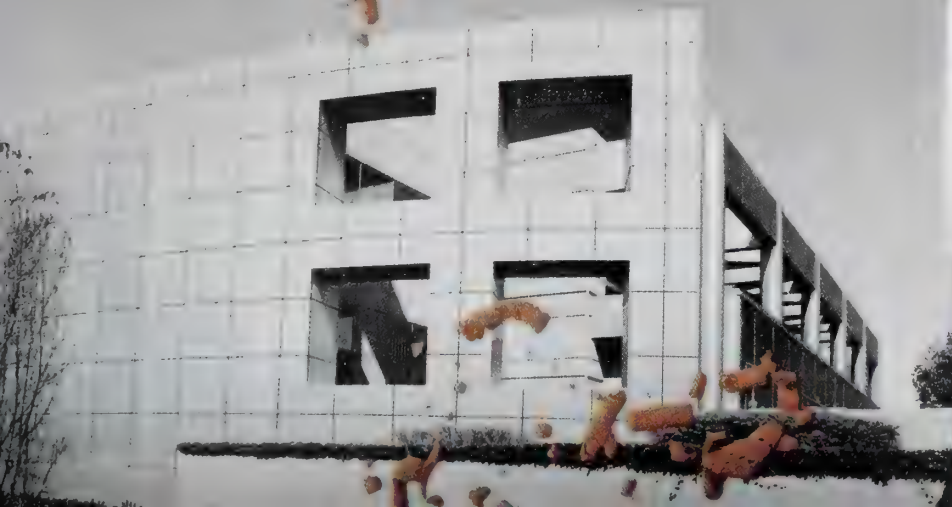
Where we go when we go back to the drawing board.



UTOMOTIVE DESIGN IS A FIELD FOR DREAMERS. Eventually, the best dreams become real. The project ends, a new one begins, and back to the drawing board the designers go. Our Caltex Design Research centers are full of such inspired dreamers. Together with the talented engineers at Toyota Technical Center (TTC), they bring these

dreams to life. Yet Caltex and TTC may be two of Toyota's best kept secrets.

By now, most people know that we build vehicles in the U.S.** But what they might not know is just how much we rely on Caltex and TTC. They're an integral part of our investment in America, and we can't wait to see what they draw up next.



TOYOTA

toyota.com/us

President and Editor-in-Chief Steve Forbes
Chief Operating Officer Timothy C. Forbes
Chairman Caspar W. Weinberger
President and Publisher Forbes Magazine Group James S. Berrien
Vice Chairman Christopher Forbes
Group Vice President-Editorial James W. Michaels
Publisher Forbes Magazine Rich Karlgaard
President Forbes FYI Robert L. Forbes
Chairman Forbes International Brian Mulroney
Executive Vice President Electronic Publishing James Spanfeller
Executive Vice President Chief Financial Officer Sean P. Hegarty
Senior Vice President General Counsel and Secretary Terrence O'Connor
Senior Vice President General Manager Scott E. Masterson
Senior Vice President Corporate Communications Monie Begley Feurey
Vice President Treasurer Philip E. Reville
Vice President The Forbes Collections Margaret Kelly Trombly
Vice President Business Development Miguel Forbes
Controller Thomas J. Callahan
Director of General Services Gary Prasto
Director of Human Resources Margaret W. Loftus
Director of Knowledge Management Anne P. Mintz
Group Director of Production and Manufacturing Elaine Y. Fry
Group Director of Circulation Nina M. LaFrance
Director of Distribution Edward Conrad
Director of Protocol Cathi Culbertson
Director of Project Management Amy C. Berretta
Director of Consumer Marketing Carolyn Topak
Director of Consumer Business Jamie A. Fallon
Director of Information Technology Robert Cacace
Director of Information Systems Christopher A. Herring
Director of Corporate Communications Laurie Baker
Director of Internal Communications Diane Reeves
Vice President Associate Publisher Kevin Gentzel
Vice President Conference Group Kendall Croluis
Vice President Marketing Deborah Himmelfarb
Vice President Custom Solutions Edward Z. Hughes
Vice President New Business Partnerships Mike Woods
New York Jennifer Giampietro Cooke, Felix DiFilippo, Group Advertising Directors;
 Moira Forbes, Vicki King, Sherry Phillips,
 Diantha W. Redd, Hayley Romer, Frank W. Rosa
Atlanta John Reock
Boston Gary Manis, Mgr.
Chicago William J. Powers Jr., Mgr.; James W. Wall
Detroit Shauna Haras, Group Advertising Director;
 Christine Schultz
Los Angeles Jill S. Harris, Mgr.; Lisa K. Carden
Silicon Valley Frank Thom, Group Advertising Director;
 Chesley Bohac, Denyce Kehoe, Chris Litchfield
Washington, D.C. David Pinkerton, Jr., Group Advertising Director
Director of Economic Development Peter T. Malloy
Executive Director of Marketing Nancy Bensimon
Director of Research Linda Lawrence
Director of Merchandising and Events Karen Moroney
Creative Director of Design Center Susanne Preinfalk
Director of Media Strategies Andrea Sontz
Director of Corporate Integration Selden Blommer
Director of Special Sections Carol Nelson
Group Business Director Jeff Reilly
Marketing Director Lawrence Ganz
President and Publisher Forbes Asia William Adamopoulos
Tokyo Hiroyuki Nakagawa, Japan Director;
 Toshiaki Iizuka, Japan Advertising Sales Director
Hong Kong Pauline Seow, Eva Cairns, Regional Sales Directors
Singapore Joyce Lim, Serene Lee, Regional Sales Directors
Vice President Managing Director Europe Robert A. Crozier
London Juanita Caspari, Sam Davies, Regional Sales Directors/Europe
International Projects
Executive Director James W. LaGrignola
Forbes Newsletter Group
Vice President/Editor Matthew Schifrin
Forbes Investors Advisory Institute
President Wallace Forbes
Vice President Vahan Janjigian
Advertising Business
Manager Brandon Russell; Iveta

Barking Up the Wrong Tree?

As you note in "Global Warming for Dummies" (Oct. 31, p. 58), the "Go Zero" program allows companies to atone for their sins of emitting carbon dioxide, thereby alleviating the global warming problems they have caused. Paying Go Zero to plant trees will, of course, remove CO₂ from the atmosphere. If enough trees are planted, atmospheric levels of carbon dioxide may indeed decrease slightly in future decades. But as an environmental engineer specializing in air pollution control, I'd note that sometime, perhaps in the latter part of this century, decay of the extra trees will reemit the carbon dioxide that was previously absorbed. The short-term advantage hardly seems worth such a long-term detrimental effect. While there is still much to be learned about the science of global warming, the major problems are long range. Any measures to reduce problems caused by humans must be based on thinking in terms of decades or centuries. I have planted trees at every house I have lived in over the past 50 years. But I did it because it increased the value of my property, and I like the shade and enjoy watching squirrels.



HERBERT C. MCKEE
Houston, Tex.

Gap Kids

In "Gapology 101" (Dec. 12, p. 120), Dan Seligman writes about "closing the achievement gap," calling it a "preposterous idea." He attempts to refute many of the nation's leading academic researchers from Columbia, Brown and Harvard universities, all of whom have arrived at the radical consensus opinion that improving schools will improve learning. Mr. Seligman points out that as one's social class rises, so does the chance that a given person will have an innately higher IQ. It follows that, if genes are bad in poor neighborhoods, fixing failing schools in poor neighborhoods will come to naught. In fact, genes do determine IQ. But only among children who have the opportunity to compete head-to-head at good schools.

Children living below the poverty line in impoverished surroundings owe their lower average IQs entirely to environmental factors. These conditions include failing schools, exposure to lead

paint and poor nutrition programs, to name but a few. Moreover, many educational interventions have been proven effective in rigorous scientific studies. Unfortunately, Mr. Seligman ignores scientific consensus based on solid evidence to declare the genetic superiority of some groups. Readers of FORBES are too smart for such conclusions.

PETER MUENNICH
Assistant Professor
Mailman School of Public Health
Columbia University
New York, N.Y.

Blowing a Flat

In "No Stern, No Problem" (Dec. 12, p. 58) we mistakenly reported that Infinity Broadcasting's revenues are down 48% since 2000. In fact, they are flat over this period.

Forbes
 Send e-mail to readers@forbes.com or visit www.forbes.com/letters. Letters will be edited. Please include address and phone number.



**How fragile is your dream?
How solid is your coverage?**

Relax. You're insured with Chubb.SM

Exceptional insurance for homes • autos • art • jewelry • yachts • business



For information about Chubb coverage, ask your agent, call Chubb at 1.877.60.CHUBB or visit our Web site at www.chubb.com/personal.
refers to the insurers of the Chubb Group of Insurance Companies. Actual coverage is subject to the language of the policies as issued. Chubb, Box 1615, Warren, NJ 07061 1615.
© 2004 Chubb & Son, a division of Federal Insurance Company.

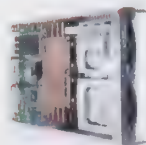
CIOs
RELY
ON
THEM



CFOs
INSIST
ON
THEM

If there's one thing CIOs and CFOs can agree on, it's Fujitsu PRIMERGY[®] BX620 S2 blade server.

Featuring the proven reliability of Intel[®] Xeon[™] processors, PRIMERGY BX620 S2 blade server gives CIOs the power to drive complex business-critical enterprise applications based on Linux and Windows[®] operating systems. The PRIMERGY BX620 S2 blade server also provides a low total cost of ownership (TCO), delivering the reliability, serviceability, and manageability



PRIMERGY BX620 S2
Blade Server



CFOs demand. To help maintain high performance and low TCO, Fujitsu features Cool-Safe[™] cooling technology. Developed with aviation simulation techniques, this innovative, new approach to thermal management optimizes processor airflow to keep the server blades running at peak performance in real-world IT environments.

For more information on the Fujitsu PRIMERGY BX620 S2 blade server and how it can bring CIOs and CFOs together, visit us.fujitsu.com/computers/PRIMERGY or call 1-800-831-3183.

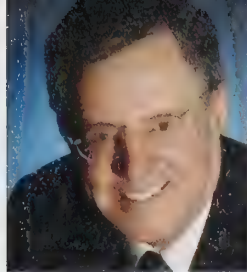
FUJITSU

THE POSSIBILITIES ARE INFINITE



Steve Forbes, EDITOR-IN-CHIEF

With all thy getting get understanding"



Who's Minding This Store?

TO BAD U.S. FOREIGN POLICY MAKERS PAY SO LITTLE ATTENTION to economics. The White House and State Department feel economics is best left to the "experts," which is akin to leavingonomy to pre-Copernican astronomers. These folks, and their cousins at the IMF, routinely recommend policies that are tooen destructive: floating exchange rates, devaluations, higher taxes.

They doom recipient countries to stagnation or, at best, subpar performance. Needs to say, such conditions hurt us in the r against Islamic extremism—terrorists d fodder for their fanaticism more easily en economies are stagnant or retreating.

Take Indonesia, the country with the rld's largest Muslim population. This awling state, consisting of some 13,670 nds, now has a president who is willing make tough decisions. Susilo Bambang dhoyono (affectionately called "SBY" by onesians) slashed lavish fuel subsidies in October, a move he ew would be severely unpopular. In our meeting with him,

was outspoken about the need to fight Indonesia's rampant rruption, candidly admitting it would take years to bring it under ntrol. He is pushing for tax reform, as well as for reforms to ke starting a business easier. Last summer, when Indonesia's ntral bank started printing too much money, the rupiah started slide. SBY had quiet conversations with bank pooh-bahs, cor- rictive measures were taken, and the rupiah stabilized. On the litical side he forged an agreement with Aceh separatists. Only



Why isn't the U.S. providing pro-growth economic advice to Indonesia's President Yudhoyono (r)?

this respected former army general could have successfully cut such a durable deal. And SBY won high marks for the vigorous way in which he responded to the devastating tsunami a year ago.

Indonesia is experiencing respectable growth despite the battle it wages against terrorists (the reason the U.S. periodically issues advisories against traveling there). But the country has the poten-

tial to expand at China/India-like growth rates of 7% to 9%, instead of 5%. The rupiah, for instance, should be firmly fixed to the dollar. A fixed rate would curb inflation, lower interest rates and lessen capital flight. SBY has toyed with the idea of a flat tax. One of, say, 15% would do wonders for stimulating growth and shrinking the informal economy—which, some observers estimate, encompasses about half of Indonesia's economic activity. Less than 2% of the population currently pays income tax.

SBY constantly wrestles with a large, powerful bureaucracy that is loath to give up its sand-in-the-economic-gears power. And he must grapple with an independent-minded parliament.

The U.S. does zilch in encouraging Indonesia to move in these directions and thus makes SBY's political hurdles to achieving genuine reform even higher. What will it take to get Secretary of State Condoleezza Rice and National Security Advisor Stephen J. Hadley to start asking the State Department's economic policy-makers, not to mention their peers at the Treasury, the hard questions about our country's counterproductive policies?

Amiable Wizard

IE OF AMERICA'S MOST EXTRAORDINARY ENTREPRENEURS, bert Tisch, died last month of a brain tumor at the age of 79. e and brother Larry, who passed away in 2003, built Loews rrp. into a multibillion-dollar entity. The combination of

ainpower, attention to detail and a marketing th sense led Bob Tisch from success to success. one point in running the company's hotels ch personally hired the bellmen, shrewdly fig- ing they were his best salesmen.

Success in business is achieved by meeting the eds and wants of people. The same holds true for ilanthropy, another sphere in which Tisch was a ndout. An extraordinary force in New York City's ic life, he recently headed up Take the Field, an rganization that raised \$140 million to refurbish e poorly maintained athletic fields of the city's gh schools. He helped found Citymeals-on-

Wheels, often delivering meals personally. He will be remembered, too, for inventing "power breakfasts," held at Loews' Regency Hotel.

Bob Tisch served as Ronald Reagan's Postmaster General from 1986 to 1988. While in office he pushed commemorative stamps—a profitable move, since collectors rarely use them.



Tisch with Kerry Collins, 2001.

Tisch bought a half-interest in the New York Giants football team in 1991, purportedly for the seemingly astronomical sum of \$75 million. While he loved watching games, Tisch never treated the team as a toy. He pushed the sale of luxury suites at the stadium and made other needed marketing improvements. His share of the team is now worth in excess of \$400 million.

Robert Tisch was a friendly, approachable man. What a model worthy of emulation his life is for the rest of us.

Reviews

The Forbes 2005
All-Star Eateries in New York

The number of Big Apple restaurants expands faster than oil company profits. Tom Jones and Forbes colleagues Patrick Cooke and Monie Begley, as well as brothers Bob, Kip and Tim, produced these appetite-stimulating critiques.



Bouley
Chanterelle
Daniel
davidburke & donatella

Fleur de Sel
The Four Seasons
Jean Georges
La Grenouille
Le Bernardin

March
Masa
The Modern
Nobu
Per Se

Perry Street
Town
"21" Club
Veritas

Several stunning Stars are new to our celestial gastronomic realm. There are no menus at **Masa**; celebrity chef Masayoshi Takayama and two assistants prepare an *omakase*, a tasting menu of memorable masterpieces. Your tab, however, would dent the national debt. **Per Se** is indeed worth the hassle of getting a reservation, confirming the reservation and reconfirming the reservation; its setting is ideal for savoring every marvelous morsel. Exotic combinations of ingredients work tantalizingly

well at **Perry Street**. A gorgeous room adjacent to the Museum Modern Art, **The Modern** elevates dining to a high art. No place has more flattering and effective lighting—candlelight without the candles—than **Fleur de Sel**, and for taste and presentation food here ranks among the best in the city. **March** remains a culinary adventure—the sampling menu is like a cruise down the grand river, each course a port with something new to explore. **Nobu** combines outstanding Japanese fare with a sensational sea-



Alto
A.O.C. Bedford
Babbo
Blue Hill
Café Boulud
Café Gray
Café Pierre
Cru
Danube
Eleven Madison Park

Etats-Unis
Fives
Gotham Bar & Grill
Gramercy Tavern
The Harrison
Honmura An
Jojo
L'Impero
Matsuri
Montrachet

Nippon
Orso
Payard Pâtisserie & Bistro
Periyali
Peter Luger Steak House
Pinocchio
Pure Food and Wine
The River Café
San Domenico
66

Spice Market
Strip House
Sugiyama
Swift's
Tabla
The Tasting Room
Thalassa
Union Square Cafe
WD-50

Stars here continue to burst forth, burn out and come back to life. **San Domenico** returns to the firmament after floundering in nowhereland for too long. **Tabla** still dishes up some of the most delectable Indian-inspired cuisine anywhere. You leave **Thalassa**, a charming Tribeca Greek restaurant, with an immensely satisfied smile. The Alto Adige region of Italy is not famous for its cooking, but a meal at **Alto** will drastically, delightfully change that perception. **L'Impero's** food is both innovative and scrumptious, from the simplest pasta dishes to elaborate risottos. **Cru** serves delicious selections in an atmosphere of absolute luxe. The always mouth-watering menu at **Fives** changes by the season. Fabulous food, an intimate, quiet setting and good service don't get much better than at **A.O.C. Bedford**. A refuge in a culinary New York suffering chronic

"hipatitis," **Café Pierre** is the place you'd love to take your parents (and at these prices, they should pay). To have found again long gone Lespinasse braised beef, a standout among the many great dishes at **Café Gray**, is one of life's answered prayers. **Eleven Madison Park** maintains its impeccable standards in an enormous, luxurious room cleverly designed to give a sense of intimacy. Booking a table is now easier at **66**, where food and service are as excellent as ever. The **Strip House** is arguably Manhattan's best steak house. The cheesecake may just be the most monumental, unforgettable serving of anything anyplace. **Orso** continues to be one of the best Italian restaurants in a city where they seem to exist on every block. A cozy West Side eatery, **Periyali** is the home of Greeks bearing appetizing gifts. The menu at **Etats-Unis** is a checklist of perfect



★ SPECIAL ★

Artisanal—Cheese lovers' mecca (nearly 300 varieties to sample) set in a big, brassy brasserie.

BLT Steak/BLT Prime—Yummy popovers begin meals at both spots. Mix and match the melt-in-your-mouth beef with a wide variety of sauces.

Bolo—Funky decor—a mélange of cubism on steroids with Matisse-like cutouts—is rivaled by matchless meals.

Café des Artistes—Howard Chandler Christy's nude murals add spice to already flavorful fare.

Caffe Grazie/Lupa/Maurizio Trattoria/Osteria del Circo/Sant Ambroeus/Vento—Fantastic Italian cuisine.

Chez Josephine—Lively menu, even livelier atmosphere.

Circus—This celebrated Brazilian establishment has relocated, and the selections and space are better than ever.

Cupcake Café/Magnolia Bakery/Serendipity 3—Three no-no's for nutrition Nazis and health nuts.

Dévi—Superb, sophisticated Indian fare that's cosmopolitan and authentic.

EN Japanese Brasserie—Innovative setting and food.

fresh.—Catch of the day hooks you.

Gobo—Beautifully designed eatery offering original, global vegetarian victuals. Even carnivores will enjoy an outing here.

Grimaldi's/Di Fara—Pizzas that are the best in Brooklyn—or anywhere else.

Hell's Kitchen/Maya/Mesa Grill/Mexicana Mama—Magical Mexican moments.

Le Boeuf à la Mode—Old-fashioned bistro, wonderful eats.

Mary's Fish Camp—Tiny, wildly popular West Village storefront. Arrive early and wrap your claws around divine lobster rolls.

The Mermaid Inn—Out-of-sight seafood.

Michael Jordan's The Steak House N.Y.C.—Slam dunk for outstanding steaks and chops.

Mr. K's—Traditional Chinese food at its best, served in a most refined and pampering manner.

Ono—Crowded, see-and-be-seen Japanese newcomer. Large menu—simplest dishes are the best.

Pastis—Bistro fare at this still-happening place is first-rate, from the frites with malt vinegar to the salade niçoise.

Petrossian—The go-to place to splurge on sturgeon and its lovely by-product: caviar. Ain't cheap, but then, life is short.

Popover Cafe—Peerless popovers.

Prune—Homey, oddbally creative seasonal dishes and jovial, attentive waitstaff make this East Village venue a small gem. Its ten varieties of Bloody Marys will enliven any brunch.

The Red Cat—Still lands on its feet. A favorite of the Chelsea area art gallery crowd.

RUB (Righteous Urban Barbecue)—Will rub devotees just right.

Sakagura—Down the fire stairs and into the basement of a nondescript office building, but once down and in you'll feel like you've been transported to Tokyo.

Second Avenue Deli—What's not to like at the Big Apple's best deli?

The Spotted Pig—The English call it a "gastro-pub," meaning a laid-back place to drink hand-pumped beer and eat really good food. Jam-packed from opening to closing.

Tia Pol—Tiny place that delivers big. Some of the most delectable tapas in town; the flan and torta are perfect.

Tribeca Grill—Favorite of the Wall Street crowd. Any steak dish is dependably delicious.

Turkish Kitchen—Keeps getting better. Ambience is sexy, appealing: soft lighting, red lacquered walls, flickering votive candles.

Wallsé—Pleasant atmosphere, attentive service makes this a "wiener" for anyone with a hankering for Austrian cooking.

The Water Club—Savor the seafood and other first-class viands on an East River barge offering sensational sights.

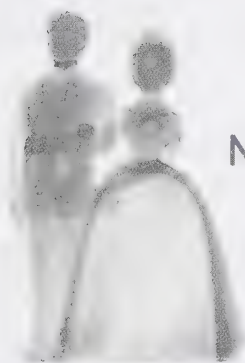
Wu Liang Ye—Even nonaficionados will delight in the spectacular, classic Szechuan fare.



You've probably never heard the term

mails

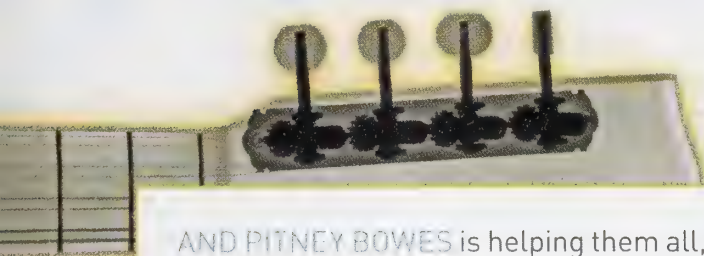




New York Life

cream

but you've definitely heard of the companies that are using it to grow their bottom line.



AND PITNEY BOWES is helping them all, from eBay to New York Life, plus thousands of others across multiple industries. By optimizing the complex flow of mail, documents, email, and packages that stream out of, into and through your business, we can help you significantly increase customer acquisition, retention and loyalty—and dramatically decrease costs. And because we're the only company that offers end-to-end mailstream solutions, from data management to personalized document creation, production, and distribution, you can see results a lot faster.

Visit pb.com/mailstream to learn more.

 **Pitney Bowes**

Engineering the flow of communication™

Other Comments

*We give up leisure in order that we may have leisure,
just as we go to war in order that we may have peace.*

—ARISTOTLE

Stay the Course Every reasonable person should be able to agree on two things about America's presence in Iraq. First, if the Iraqi government formally asks the troops to leave, they should do so. Second, the argument about whether America should quit Iraq is not the same as the one about whether it should have gone there in the first place. It must be about the future.

The cost to America of staying in Iraq may be high, but the cost of retreat would be higher. By fleeing, America would not buy itself peace. Mr. Zarqawi and his fellow fanatics have promised to hound America around the globe. Driving America out of Iraq would grant militant Islam a huge victory. Arabs who want to modernize their region would know that they could not count on America to stand by its friends. The road ahead looks bloody and costly. But this is not the time to retreat.

—*The Economist*

Putin's Counterrevolution Unable to comprehend Ukraine's Orange Revolution, which began a year ago when hundreds of thousands of people took to the streets of Kiev to reject a fraudulent presidential election, Russia's ruling coterie invented a conspiracy theory. Western intelligence agencies, they reasoned, had poured money into Ukrainian civil society groups that were then used as fronts to organize the insurrection. Only someone like President Vladimir Putin, an isolated former KGB agent with little taste for democracy, could embrace such a preposterous idea. Yet Mr. Putin's paranoia now is set to become the basis for a far-reaching crackdown on civil society in Russia.

Mr. Putin's initiative comes in the form of legislation abruptly introduced last [month] in parliament, which he already converted into a rubber stamp. The new law would require all 450,000 non-commercial associations in Russia to re-register with the government; force groups that until now have operated without registration to obtain one; and ban all organizations from using foreign funding for "political activity." Chapters of foreign organizations, such as Human Rights Watch or the Carnegie Moscow Center,

would be banned, as would foreign employees of nongovernmental organizations. In effect, the measure would drive most foreign NGOs out of Russia, make it impossible for foundations such as the National Endowment for Democracy to operate and subject Russian civic groups to the whims of the secret police, who would be able to deny registration to any they deemed suspicious.

—*Washington Post*

Insatiable Appetite I am more and more convinced that man is a dangerous creature and that power, whether vested in many or a few, is ever grasping, and like the grave, cries "Give, give."

—ABIGAIL ADAM

Rule of Law Perhaps the greatest achievement in history is the subordination of power to law. That is, in modern America we have created structures that limit and control the arbitrary power of government. No longer can one man—a king, a priest, a communist party boss—take another person's life or property at the ruler's whim. Citizens can go about their business, generally confident that they won't be dragged off the streets to disappear forever, and confident that their hard-earned property won't be confiscated without warning. We may take the rule of law for granted, but immigrants from China, Haiti, Syria and other parts of the world know how rare it is.

—DAVID BOAZ, Cato Institute, *Washington Times*

Revving Up Revenues President Bush didn't cut taxes, he cut tax rates; revenues are not down but up, and new jobs are the direct result of capital investment.

Because the 2003 reduction in tax rates on capital gains and dividends was so successful in spurring investment, the economy continues to outperform expectations. As a result, last year's deficit actually came in \$100 billion smaller than projected at the beginning of the year. There is no deficit problem unless there is recession. And raising tax rates on investment and capital formation is a good way to slow down our economy and lose revenue.

—JACK KEMP, honorary co-chairman, Free Enterprise Fund

—*New York Times*

Embrace the Holidays There are some people who want to throw their arms round you simply because it is Christmas; there are other people who want to strangle you simply because it is Christmas.

—ROBERT LYNN

The Love of My Life There is no sincerer love than the love of food.

—GEORGE BERNARD SHAW



"Ah, Louis, I can tell already that it's going to be terrific."

MONEY MANAGEMENT IS WHAT WE DO®.*



* In other words, we'll take care of you
the way you took care of your business.

You took an idea, a product, a service and turned it into a great success. And now you're thinking of selling to enjoy the fruits of your labor. That's where Neuberger Berman, a Lehman Brothers company, steps in. For over 60 years, Neuberger Berman has focused on money management, uncovering investment opportunities that are right for you. After all, you've cared about your money long enough. Isn't it time your money returned the favor? Whether you have \$1 million or \$100 million to invest in a customized portfolio, call us at 877.232.4859, or visit us at www.nb.com.

MONEY MANAGEMENT IS WHAT WE DO:

NEUBERGER BERMAN

A Lehman Brothers Company

PREEMPTIVE SECURITY IS HERE.

Prevent MAJOR INTERNET THREATS – *before* THEY RUIN YOUR DAY.

Proventia ESP



Proventia ESP (Enterprise Security Platform) from ISS stops Internet threats before they impact your business. With intrusion prevention and vulnerability assessment products and services, Proventia ESP reduces your overall risk and helps enable regulatory compliance and business continuity. Only ISS keeps you ahead of the threat with preemptive protection for your entire enterprise. [Download a free white paper at www.iss.net/ESP/forbes](http://www.iss.net/ESP/forbes), or call 1-800-776-2362.

NETWORK & HOST INTRUSION PREVENTION | VULNERABILITY MANAGEMENT | MANAGED SECURITY SERVICES

©2005 Internet Security Systems, Inc. All rights reserved.

18

November 18
FRIDAY

3 p.m.

Testify RE:
Network security breach
(bring lawyer)

2005 CALENDAR

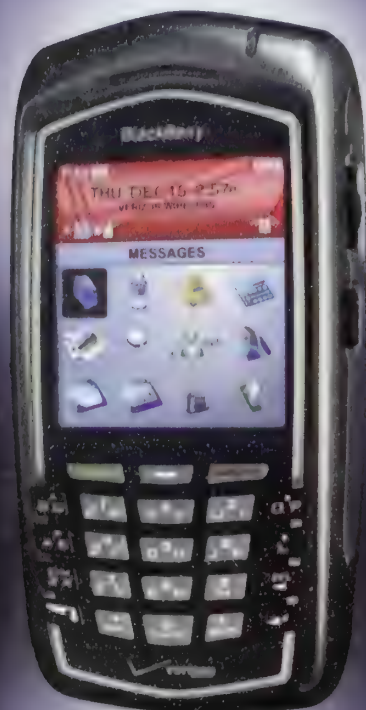
 INTERNET | SECURITY | SYSTEMS®

Ahead of the Threat.™

verizonwireless

We never stop working for you

**Meet the First BlackBerry
Device with BroadbandAccess.**



BlackBerry 7130e
BroadbandAccess-capable

Get the first BlackBerry® device
with BroadbandAccess.

- Only Verizon Wireless offers the nation's largest high-speed wireless broadband network on the new BlackBerry 7130e.TM Which means high-speed downloads, Internet browsing and email where it's convenient for you.
- It's everything you need in one small, sleek device. It's an integrated device with phone, wireless email, Internet, an organizer, a large color screen, and SureTypeTM keyboard technology.
- The BlackBerry 7130e also provides a modem function for tethered access—bringing Broadband**Access** to your laptop too.

Now save \$100
on the new BlackBerry 7130e

Offer valid with new voice plans of \$39.99 monthly access or higher and a data feature of \$44.99 monthly access, or any Voice and Data Choice BundlesSM plans starting at \$199.99. See att.com/offer for details. Offer ends 12/31/14. Plan starts at \$199.99 after instant rebate (taxes apply).

Call our business representatives at 1.800.VZW.4BIZ or go to verizonwireless.com

Current Events

Lee Kuan Yew, MINISTER MENTOR OF SINGAPORE



Terrorism

ISLAMIC TERRORISM CONTINUES UNABATED: JULY 7, LONDON, England—three suicide bombers strike the underground railway, another hits a bus; July 23, Sharm el Sheikh, Egypt—three suicide bombers strike hotels and a market in the resort district; Oct. 1, Bali, Indonesia—three suicide bombers target restaurants and two tourist areas; Oct. 29, New Delhi, India—two bombs are detonated in crowded markets and one on a bus the weekend before Diwali (Hindu Festival of Lights); Nov. 9, Amman, Jordan—three suicide bombers strike three Western hotels.

Has the situation in Iraq made terrorism worse? In the short term, yes. But terrorism was already set to get worse. Before the war in Iraq jihadist acolytes in Singapore, Indonesia, the Philippines, Spain, Holland, England and many other countries were being prepared for martyrdom by their imams (clerics). The jihadists want to destroy Israel and drive the U.S. out of the oil-rich states of the Gulf. This witch's brew of hate would have been on the boil regardless of U.S. actions in Iraq or Afghanistan. The random killing will go on for years and will stop only when the jihadists and their teachers realize that instead of bending it to their will, the bombing of innocent people has turned the world—including many Muslim countries, such as Jordan—against them.

Iraq: The World's Problem

President Bush's approval ratings are down. The reasons are standard for American politics: Hurricane Katrina, Iraq, a failed Supreme Court nomination and so on. As a non-American, I hope to be excused for pointing out that if the President is conscribed or hindered from countering the Iraqi insurgency or from tackling

Iran's nuclear activities, all Americans—not just Republicans—will face greater danger, as indeed will Europeans and Asians.

If the insurgents and jihadists force the U.S. military to withdraw from Iraq, terrorists will be further emboldened. After driving the Russians from Afghanistan, getting the U.S. out of Iraq would be an immense triumph. Exultant Islamists would spread their terror into America, Europe and South and Southeast Asia.

Following this month's elections Iraq's democratically installed government will have the moral authority to govern and restore order, as well as the will to fight to retain its hold on power. After decades—if not centuries—of subjugation by the Sunnis, the Shiites and Kurds are not about to yield their power because of Sunni or jihadist terror. With U.S. support Iraq's government will expand the security forces and can prevail. However, if the U.S. leaves prematurely, the jihadists might bring down the government. Then we can expect terror to spread. The aim of the jihadists is global—a caliphate.

No people will allow jihadists to roll over them—not even if those terrorists have weapons of mass destruction. The five permanent members of the UN Security Council must prevent jihadists from acquiring such weapons. Iranian President Mahmoud Ahmadinejad's declaration that Israel should be wiped off the map was candid—and unsettling—and must not be taken lightly.

To cut off the growing number of terrorists, the U.S. must forge a grand coalition to strengthen Muslim moderates—the modernizers and rationalists—so they can stop radical Islamic clerics from inciting jihadists. This coalition must include Europe, Russia, India, China and all other countries that are targets of Islamic terror.

Waking Giants

REGARDLESS OF TERRORISM, THE RISE OF CHINA AND INDIA will continue; it seems inexorable. China's annual growth rate is 8% to 9%; India's is 6% to 7%. At these rates China's GDP will be five times Japan's by 2040. Because India and China are playing catch-up, the speed of their transformation will be much faster than the growth of Japan or South Korea. The rest of the world's countries will need to continually restructure their economies. These two giants will pull up many of the economies of East and South Asia.

One serious constraint to China's and India's growth is energy. If every major oil- and gas-importing country tried separately to lock in supplies for itself, it would be a zero-sum game resulting in strife. Oil prices may skyrocket and abort growth worldwide. We all must use energy more efficiently and

develop alternative fuel sources, especially nuclear power.

China needs internal stability and international peace in order to continue its growth. It must avoid any conflicts with the U.S., Russia, Japan or India. Every year China narrows the gap between itself and the U.S. Its leaders have repeatedly stated that they will need another 50 years to catch up, which is a realistic estimate. The current leaders experienced the calamities of the Great Leap Forward in the 1950s and the Cultural Revolution in the 1960s and 1970s. They've experienced the perils of overexuberance and intraparty strife. Their successors will not have these memories to draw on. For China's peace and growth to continue, its leaders must ensure that their successors absorb and internalize these past excesses and are wise and prudent enough to chart a course for China's peaceful rise. **F**

Lee Kuan Yew, minister mentor of Singapore; Paul Johnson, eminent British historian and author; Ernesto Zedillo, director, Yale Center for the Study of Globalization, former president of Mexico; in addition to Forbes Chairman Caspar W. Weinberger, rotate in writing this column. To see past Current Events columns, visit our Web site at www.forbes.com/currentevents.

HITACHI
Inspire the World

Your data wants to be an astronaut.



We're inspired by the human side of data. Bank data is more than dollars and cents. It's an allowance, savings bonds from Grandma, maybe even college tuition. That's why seven of the world's ten largest banks use Hitachi storage technologies to protect their data, and her future. From the smallest Microdrive* to the largest SAN solution, **Data Storage from Hitachi.**

hitachiyourdata.com



My Life As a Blogger

I'VE BEEN WRITING A DAILY WEBLOG ON FORBES.COM FOR TWO months now. This crazy assignment has forced two changes.

Though a die-hard West Coaster, I now must keep an East Coast schedule. I get up at 4:30, pour hot water and four Irish teas into a soup-bowl-size mug and sit down at my home-office desk. Some mornings I don my Bose headset to shut out barks from Dakota, our dog, who's aroused by my predawn noises.

The other change has been a full-dunk immersion (as my Baptist minister might put it) into the blogosphere. This new medium is larger than the Pacific Ocean and growing by the day.

Here's what I've learned:

Blogging is not overhyped. You may be forgiven for thinking so, no day goes by without a story on blogs. But blogs are nofad. They're cheap and easy to do. And blogs fulfill that deepest of human needs as defined by psychologist Abraham Maslow: self-actualization. People write blogs because they want to know themselves and want to be known by others and because they want their lives to count. When a communications medium is both riding the Moore's Law cost-capability curve and tapping into a deep need, it's no fad. Don't judge blogging by the "average" blog. The average blog is amateurish, just as the average crooner is no American Idol. The law of large numbers guarantees that. How many blogs are out there? Maybe millions. Soon billions. This means, of course, that the vast majority of blogs will be of no interest to you or me. Even a 95th-percentile blog—judged by its quality—has little chance of making it into our busy reading schedules. But don't judge the blogosphere by the average quality. At the top of this huge pyramid are thousands of readable and useful blogs.

Think of the blogosphere as a bookstore where no book is unused. A store bigger than the Mall of America. (Ocean, pyramid, bookstore ... too many metaphors, I know.)

The best bloggers write about what they know, and when they don't know, they link to more knowledgeable sources. I don't want to read another right wing or left wing screed from Joe Platter unless he has new information, a novel twist or insider gossip. If he doesn't have any of these, he should link to Power Line or Daily Kos.

Blogs really do threaten the mainstream media. Thought experiment: Suppose you call yourself a pro-technology supply-sider. That's what I happen to be, because I think Moore's Law and Web 2.0's Law drive growth and prosperity in the world.) A reader with such an outlook will find a home at RealClear Politics and Tech Central Station because the editors of those überblogs see the world in the same way. You might ask, "Well, doesn't the *Wall Street Journal* see the world likewise?" Yeah, mostly. But the *WSJ* needs thousands of employees and tons of ink and paper to produce its product. RealClear Politics gets by with fewer than ten employees.

• Are blogs good or bad for business? I recently argued this point with FORBES Managing Editor Dennis Kneale on our television show, *Forbes on Fox*. Dennis had edited the FORBES Nov. 14 cover story, "Attack of the Blogs," by Daniel Lyons. This story recounted the damage that some nasty bloggers, hiding in the weeds like assassins, had done to businesses and people. Dennis was proud of this story, and properly so. It was well reported and snappily written. But I took issue with it, saying that good companies and honest businesspeople have little to fear from bloggers. When companies and people do the right thing, the majority of bloggers will write good things about them.

But that's the rub, isn't it? Any company that wants a good reputation in the blogosphere must earn it. That means treating customers, suppliers, employees and shareholders with fairness and dignity, doesn't it? I know your mother taught you such old saws in fourth grade. But mom was clairvoyant. She saw that the Web and the blogosphere would act as a giant fourth grade classroom (oops, another metaphor), in which honor mattered and slander could not hurt you.

• Bad companies and shady dealers will get their heads handed to them in the blogosphere. We all say hooray to that! But be aware. The slow and stubborn—those I call the institutionally stupid in my *Forbes.com* blog—will get slaughtered, too.

An example of institutional stupidity from a world I inhabit—small airplanes. Only two engine manufacturers serve this market. One is reasonably forward-looking; the other is so stubborn it fights with its own customers over how to operate the engines. In the old days the owner-pilot was easily cowed by the manufacturer. The manufacturer was a god. Authority figures of all kinds were gods. Not anymore.

Here's what happened. A little engine repair shop in Oklahoma built a test bed, linked it to computers and proved that the aircraft-engine manufacturer's recommended method of operation wasted fuel and overheated the engine. These data traveled along the Web and became points of fierce debate on message boards and blogs. The manufacturer finally stepped into the debate and said its method was correct. Anything more you'd like to add, Mr. Engine Manufacturer? "Well, no, it's our data, and it's proprietary."

The bluff did not succeed. The engine manufacturer has become the laughingstock of the aviation world.

If blogs can take down Dan Rather, as well as institutionally stupid companies that fight with their customers, then I must conclude that blogs are a force for good.

That's what I've learned in my two months of blogging. **F**



Read Rich Karlgaard's daily blog at <http://blogs.forbes.com/digitalrules> or visit his home page at www.karlgaard.com.

Dealings with "The Gambler"



IN 1995 ENTERTAINER KENNY Rogers got \$2.7 million to end his three-year partnership with Branson, Mo. theme park bosses/brothers Jack R. and Peter Herschend. The partnership deducted this as a business expense, but the Internal Revenue Service says it was really a nondeductible "transaction between partners." This is a still unresolved part of an IRS claim the Herschends are litigating in U.S. Tax Court that several of their entities understated income by a total of \$9 million from 1994 to 1996. A Herschend statement says Rogers, whose rep declined comment, hasn't consented to a negotiated settlement with the feds. The Herschends have interests in many successful attractions, notably Tennessee's Dolly Parton-themed Dollywood. But as for Rogers, a Herschend filing laments, "The partnership never produced any profits." —Janet Novack and William P. Barrett

gating in U.S. Tax Court that several of their entities understated income by a total of \$9 million from 1994 to 1996. A Herschend statement says Rogers, whose rep declined comment, hasn't consented to a negotiated settlement with the feds. The Herschends have interests in many successful attractions, notably Tennessee's Dolly Parton-themed Dollywood. But as for Rogers, a Herschend filing laments, "The partnership never produced any profits." —Janet Novack and William P. Barrett

Death and Taxes

Remember Konstantinos Boulis, the south Florida businessman whose still unsolved 2001 gangland-style murder came amid dealings with now-infamous Washington lobbyist Jack A. Abramoff? The IRS says his heirs understated his \$71 million estate by 70%. His executors are in U.S. Tax Court fighting a bill for another \$31 million in estate taxes. The sides differ on the valuation of dozens of items, including Greek real estate, resorts in the U.S. and stock holdings. The estate deducted \$19 million to cover adverse results from pending litigation; the feds say zero. At the center of an unfolding influence-peddling scandal in Washington, Abramoff has pleaded innocent to federal fraud charges that he used phony documents to line up financing to buy Boulis' now bankrupt gambling boat operation for \$147 million. Boulis was killed a few months later. —J.N. and W.P.B.

Lost Horizon

Still reeling from a mutual fund trading scandal, Boston's Putnam Investments issued a press release noting the 80th birthday of industry pioneer Putnam Investors Fund. The statement said that over three years the large-cap fund (assets of \$3.8 billion) beat 89% of peers as well as the S&P 500 and the \$10,000 invested at the fund's December 1925 inception would be worth \$15.5 million now. Unmentioned: That same \$10,000 invested in January 1926 in what's now the S&P 500 (if you could have done that with no overhead cost) would be worth \$27 million. Putnam did append a footnote calling 80 years "longer than the investment time horizon of many investors." —W.P.B.

So That's the Thanks We Get!

Did Martek Biosciences, which produces fatty acids used in baby formula, commit fraud as FORBES ranked it number six on its fastest-growing tech company list in February? A half-dozen shareholder lawsuits allege as much, claiming the Columbia, Md. firm, in advance of a stock offering, inflated sales by shipping more product than warranted. In April Martek cut its previous 2005 sales estimate by 23% to the range of \$220 million to \$240 million; since then shares have fallen 53% to a record low of \$28.51. The outfit denies wrongdoing. —David Serchuk

Misery Loves Company

A formal study seeking "The Best Places to Work" in the federal government put 35% of 218 agency subunits surveyed in a tie for last place. Among the laggards: the IRS, the Mint, the Federal Aviation Administration, the Export-Import Bank and the U.S. Holocaust Museum. Highest-rated component: Federal Mediation & Conciliation Services. Tops among the 30 parent agencies was the Office of Management & Budget; bottom was the Small Business Administration. Researchers from two think tanks polled 150,000 federal workers in an effort to measure employee satisfaction. —Evan Hesse

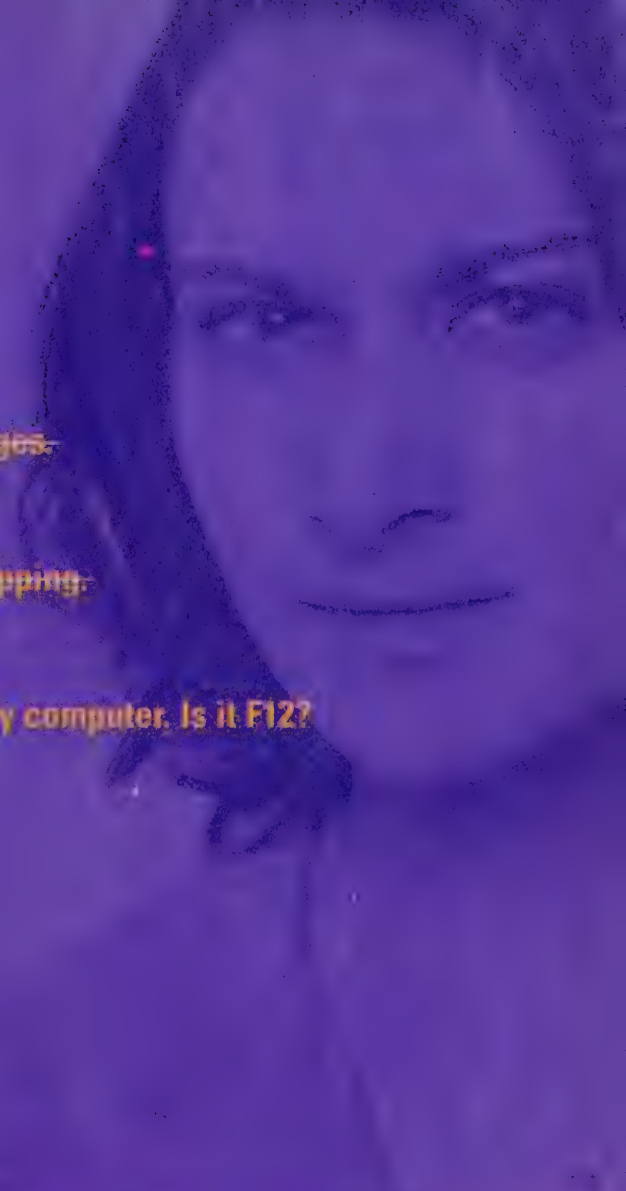
The Courts Are Going Straight to the Dogs

Recent custody lawsuits involving pet canines are festering across North America. —W.P.B.

NAME	BREED	LOCATION	REPORTED DETAILS INCLUDE
"Blanche"	golden retriever	Argyle, Man.	family sought return of creature from "foster home"
"Bongo"	German shepherd	Fort Lauderdale, Fla.	judge said previous owner couldn't revoke gift of animal
"Bugie"	Yorkshire terrier	New York, N.Y.	settlement transferred pet from 10-year-old girl to neighbor
"Chaco"	golden retriever	Santa Fe, N.M.	dog's trainer sued buyer for possession, claiming abuse
"Marley"	boxer	Seattle, Wash.	ex-girlfriend won custody from ex-boyfriend
"Mitchell"	whippet	Aurora, Ill.	son sued mother and reclaimed pet left during vacation
"Rocco"	Chihuahua	Valley Stream, N.Y.	once-homeless family wins case for return
"Tuxedo"	Lab/border collie	Oshawa, Ont.	judges dismissed litigation as a waste of court time

Source: News accounts.





~~It takes too much time to track packages.~~

~~I need an IT degree to manage my shipping.~~

~~I can't find the fedex.com button on my computer. Is it F12?~~

If you're still not using FedEx, you're running out of excuses.

If you want to make shipping easier, look no further than FedEx. With a few clicks at fedex.com, you can access all of our shipping services, manage your account, pay bills, track multiple packages and get delivery confirmation. Go to **fedex.com** today. And let us know if you figure out what F12 does.

FedEx
Express

Relax, it's FedEx.®

By Robert L. Crandall, RETIRED CHIEF EXECUTIVE, AMR AND AMERICAN AIRLINES

Cruising Speed

Bad policy crippled the U.S. airline industry. Policy can be fixed.

THE U.S. AIRLINE INDUSTRY, AS WE HAVE KNOWN IT, HAS EFFECTIVELY collapsed. Most of the legacy carriers are in bankruptcy, and the remainder are economically marginal. Even Southwest earns less than its cost of capital and has a successful fuel speculation program to thank for a large portion of its recent earnings. While consumers applaud the availability of low fares, complaints about service abound, air travel is less and less convenient, and smaller cities are ever more difficult to reach. All this is the cause of much consternation and has become a favorite subject of endless print and broadcast chatter.

The question no one asks: Why are we surprised? The U.S. has never developed a national aviation policy. Furthermore, the current state of affairs closely mirrors what many aviation executives anticipated when deregulation occurred. In other words, we reap what we sow.

In my view our situation is a consequence of a governmental decision-making process that devalues substantive analysis, relies too heavily on special interest input, is more likely to reflect public opinion than to guide it and rejects any notion of accountability.

Of course, not every airline problem is a consequence of bad public policy. The industry has had its share of inept management, and its troubles have certainly been exacerbated by the unique impact of terrorism and by the very sharp increase in fuel prices. However, although U.S. airlines are not uniquely exposed to those problems, they are in far worse shape than their counterparts in other countries. That discrepancy, in my view, is largely the effect of misguided public policy.

When Congress deregulated the airline industry, it also repealed the Mutual Aid Pact, which helped carriers withstand strikes and thus resist excessive union demands. Under the pact a struck carrier received from its operating competitors whatever excess profits they realized as a consequence of the strike. Congress could have further stabilized the labor situation by amending the Railway Labor Act to require binding arbitration in airline labor disputes and by modifying the bankruptcy laws

to prevent failed carriers from destroying others.

The Department of Transportation's only aviation policy objective seems to be low fares. Why else would the department fix established carriers to reduce the number of flights they operate at O'Hare and LaGuardia in favor of new, low-cost carriers?

Further, the Bush Administration, fixated on continual cuts, has burdened the airlines and their passengers with the cost of post-Sept. 11 aviation security. The government pays most elements of our national security effort and should have

shared, if not fully assumed, the costs of aviation security, as we

Additionally, the government has over a period of years done much to reduce the international competitiveness of U.S. airlines by allowing foreign airlines to gain access to the U.S. market via alliances with U.S. carriers. This has compelled U.S. carriers that would have preferred to compete independently to join the alliance movement, thus limiting their growth opportunities. Today the government's efforts to expand the scope of alliances continues, despite clear evidence that these arrangements have conferred far greater benefits on foreign carriers than on U.S. carriers. U.S. carriers, in turn, have reduced the number of competing airlines on most routes and have failed to produce the consumer benefits promised.

What's needed? An aviation policy that recognizes goals such

a profitable, convenient and ubiquitous route system, labor stability and broader international opportunities for U.S. carriers as well as low fares for discretionary travelers. This would more closely approximate the policy position of other governments and would greatly mitigate the current U.S. airline crisis.

Until this country develops and implements such policies, the current crisis will continue and, in the next cycle, worsen. That's a grim outlook. In a globalized economic environment America will need superb schools, the best possible communications network and a first-rate air transport system to remain competitive with lower-wage countries. Unless we do better in air transportation soon, we simply won't measure up.



"U.S. airlines are in far worse shape than counterparts in other countries. Yet our only aviation policy objective seems to be low fares."

Dear Ketel One Drinker

**Please handle your bottle of
Ketel One with care.**

**It contains over three hundred
years of history.**

Ontario, California

By Susan H. Burnell

Global Gateway for the New Economy

Ontario, California, has emerged as the economic engine for Southern California, and is located in the middle of one of the fastest-growing regions in the United States. Situated 35 miles east of Los Angeles and at the hub of San Bernardino, Riverside and Los Angeles counties, Ontario has competitive advantages and a premier location that are luring business professionals and hundreds of professional, transportation, manufacturing and retail companies to the area.

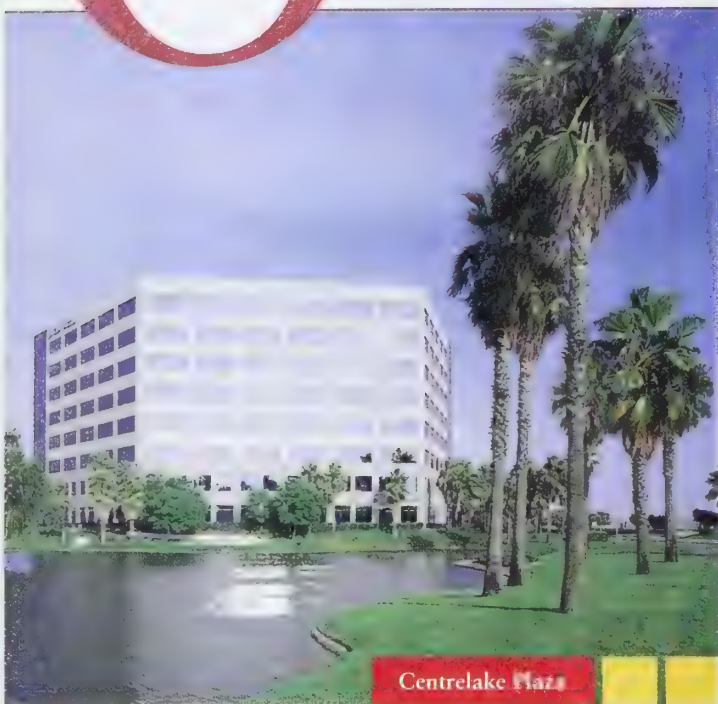
Organizations such as the Milken Institute continue to rank this area as one of the top 10 best performing in the country. The reason? Global infrastructure.

Ontario's air, highway and rail infrastructure make it accessible to cities throughout Southern California, as well as throughout the nation and around the world.

Based on a recent econometric demand study, Ontario is expected to realize 15 to 25 million square feet of new office space over the next 20 years in order to accommodate expected business and population growth. The city will add approximately 2.3 million square feet of new Class-A office space over the next year, including the Corporate Centre, Empire Towers and Piemonte at the Ontario Center, to meet the area's increased demand for office and retail space.

In addition, Ontario provides access to a qualified workforce of graduates from 14 nationally recognized universities and colleges, as well as a growing business and residential population. Wise corporate decision makers — like those at IndyMac Bank, Fidelity Group, Chicago Title and the University of Phoenix — have opened regional offices in Ontario, where the qualified work candidates live.

LA-Ontario International Airport (ONT) is on track to become the primary alternative international gateway to Southern California.



Over the last decade Ontario has emerged as an economic leader in Southern California. Its prominent role in the region and increasing importance to the state, national and international economies is, to a substantial degree, due to the Mayor's and City Council's aggressive economic development strategies, vision and determination to shape events and create Ontario's future.

Making the most of Ontario's resources for the benefit of the business community is at the heart of the Mayor's and City Council's commitment to conservative fiscal management and economic development.

For corporate America, the key message is that Ontario is not just growing; it's evolving into a global gateway for the new economy. Studies show that Ontario will become a 28-million-square-foot office market over the next 20 years. Access to and from the Inland Empire, as well as a gateway to the western United States and the Pacific Rim, have become increasingly important. LA-Ontario International Airport is already planning to accommodate 30 million passengers in the next 15 years, along with an increasing amount of cargo, making it one of the top five cargo airports in the world.

If you are looking for a city that is committed to helping you grow your business, I encourage you to meet with our staff, me and our City Council to find out just how easy it is to do business in Ontario.

Paul S. Leon
Mayor
City of Ontario

Ontario has recognized the importance of moving job centers closer to residential areas.



California. Boasting new and convenient terminals, ONT serviced over 10 million passengers in 2004, emerging as the preferred alternative for business travel in this five-airport region. By 2025, ONT is expected to serve over 30 million passengers.

ONT is currently the 15th-largest cargo airport in North America, housing 11 cargo carriers, including UPS and FedEx. To ensure that the airport will be able to handle the coming expansion, ONT's operator, Los Angeles World Airports (LAWA), has selected private developer Aeroterm to construct approximately 1.5 million square feet of space on 100 acres with immediate access.

High-end manufacturers need overnight delivery of sensitive shipments have immediate access to ONT and are strategically located at the intersection of the 10 and 15 freeways. This demand has resulted in over 84 million square feet of industrial and warehouse development.

ONT is an air and trucking hub for integrated logistics giant United Parcel Service, which includes weekly direct flights to Europe. With multimodal transportation infrastructure, Ontario is gaining a reputation as a leader in international trade for Southern California due to its position as the gateway to the Pacific Rim as well as its economic development initiatives targeting small and medium-size enterprises and providing access to global markets.

To meet the challenges of a growing business and residential population and provide the retail and services that come with rapid growth, the city is encouraging a number of new developments and revitalization projects.

Watson Development has announced plans to develop a more than 1-million-square-foot mixed-use open-air urban village in the heart of Ontario's business and retail center, which will include 309,000 square feet of retail space and a 100-room, high-end business/headquarters hotel that will complement the 400,000 square feet of Class-A office space on site.

The center of this urban village will be an 8,500-seat Community Events Center. The city is also revitalizing its Downtown Civic Center, which will feature multifamily housing, office space and ground floor retail, creating a pedestrian-oriented, live-work-play experience.

Ontario's urban center concept is at the core of the master-planned, 8,200-acre New Model Colony now taking shape. When completed, it will provide 30,000 executive-level homes for 100,000 residents, nearly doubling Ontario's population over the next 15 years. To help meet the needs of a highly skilled workforce, New Model Colony will provide a common fiber-optic telecommunications network called OntarioNet that links all housing with neighborhood services, public services and business centers. It will be the largest deployment of fiber to the home in Southern California.

Planning for this future growth and infrastructure demand, Southern California Edison (SCE) is preparing for the region's burgeoning population, business growth and rising consumption with an unprecedented \$9 billion capital investment program to ensure future service reliability for customers in its 11-county power grid. This area contains the Inland Empire region in which Ontario is located — the fastest-growing area served by the utility.

Looking ahead, the region's white-collar workforce will continue to migrate inland as more and more economic drivers emerge to make the migration possible and profitable.

For more information or to learn about business opportunities and economic development in the City of Ontario, visit www.ontariocalifornia.us.



APRIL 11, 2001

Indicted



Gimme shelter: Gary Kornman.

Eight months ago we detailed Gary M. Kornman's secretive business selling estate planning and dicey income tax shelters to billionaires and centimillionaires. At the time Kornman, a Dallas lawyer and insurance agent, was facing a Securities & Exchange Commission civil case, and his company, Heritage Organization, had filed for bankruptcy. Now a federal grand jury in Dallas

has indicted Kornman on two felony counts of securities fraud and one felony count of lying to the SEC, related to the SEC suit we described in our story. The charge: While wooing two potential clients, Kornman directed a hedge fund he controlled to trade on inside information he'd misappropriated about the possible sale of the would-be clients' companies. His lawyer didn't return calls, but Kornman is likely to fight the charge.

Meanwhile, disaffected clients, some having been sold allegedly bogus shelters, have lodged \$200 million of claims against Kornman's company in bankruptcy court. Some of those former clients have also filed suits against Kornman individually and against lawyers and accountants who allegedly worked with him. Kornman's own family entities are still in court fighting to retain \$103

million in paper tax losses generated—the IRS claims—by the same types of sham shelters Kornman sold to clients. —Janet Novak

JANUARY 21, 2002

GE's Risk Policy

There's nothing like a disaster to sell insurance. Or to pile losses for insurers, as we said after Sept. 11, 2001, when we wrote about Swiss Re. Hurricane Katrina is no exception. General Electric has had enough. It's bailing out of the accident-prone reinsurance business, selling its GE Insurance Solutions unit to the much bigger Swiss Re for \$6.8 billion—less than book value. Swiss Re is not taking any chances; GE must make a huge \$3.4 billion injection into reserves to close the deal. When the transaction is completed next year, Swiss Re will become the largest reinsurer in the world, a spot now held by its German rival Munich Re.

—Deborah

FEBRUARY 18, 2002

Inflexible

Flextronics International is having a tough time. The contract manufacturer, which makes products for companies like Hewlett-Packard and Motorola, is suffering because of weak demand across the board among customers, including Dell. Flextronics' stock fell 24% in a single day this fall, after it reported a \$2.4 million quarterly loss and lowered its revenue and earnings estimates. The company, which is officially headquartered in Singapore but has an office in San Jose, Calif., projects a 6% drop in revenue for the year through March 2006.

—Kerry A. Do

FLASHBACKS

85 YEARS AGO IN FORBES DECEMBER 11, 1920

GM's Bankers

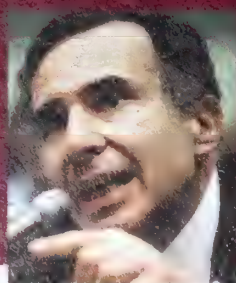
When the original J.P. Morgan died, the general belief was that the firm would decline. Instead, the house of Morgan is far more influential, far more powerful, far wealthier today than it was in the heyday of its founder. Morgan & Company's association with the Du Ponts in gaining control of General Motors will give the bankers the same status in the automobile industry which they already have in the steel industry through their connection with the U.S. Steel Corporation.

25 YEARS AGO IN FORBES APRIL 14, 1980

Eye on Icahn

Few things cause corporate management greater consternation than the sudden appearance of a big-block stockholder—especially a new stockholder who makes it abundantly

He wants your vote: Icahn.



clear that he has no qualms about upsetting the corporate apple-cart if he can profit by it. So it comes as no surprise that Albert F. Duval, president and chief executive of Hammermill Paper Co., was less than pleased to learn that Carl C. Icahn, 44, a high-rolling risk arbitrager, had acquired voting control of 10.2% of Hammermill stock.

Carl Icahn is now battling for control of Time Warner's board.

20 YEARS AGO IN FORBES JUNE 17, 1985

Extra Extra

The men at the top of Miami-based Knight Ridder Newspapers, Inc. have had ten straight years of rising profits, their stock sells for 17 times earnings, and their dividend has been growing at the rate of 15% compounded over the last five years, which is fast by any standard. All but one of Knight Ridder's 29 newspapers are making money, the television stations are doing all right, and the company has some high-tech tricks up its sleeve. The company is awash in cash.

Pressured by its largest shareholder, Knight Ridder is exploring a possible sale of the company.



The entire department heard Bob exclaim, "Cool!" as he used the Web browser on the new imageRUNNER 6570 to access and print his company's 4th quarter sales results.



imageRUNNER 5570

Your company isn't doing business as usual. What about your company? While "cool" definitely applies to the new Canon imageRUNNER 70 Series, "groundbreaking" is more apt. Both the imageRUNNER 6570 and imageRUNNER 5570 are the industry's first embedded Web access function. In other words, a full-size user interface panel that actually lets you call up Internet or intranet data without the use of a PC, right from the device. Once we've done that, you can print forms and documents you need to work more efficiently and productively. Of course, there are a host of other special features that help expand the potential of your workday. And that's definitely not business as usual.

800-OK-CANON www.imagerunner.com

Canon
image*ANYWARE*

_THE INVASION

_DAY 10: I'm...losing...my...mind. Too many servers.
Too many operating systems. Too many databases.
Nothing's integrated. Aaaigh.

_DAY 39: They've invaded the snack room. I thought
I'd gone insane, but Dwayne sees them, too.

_DAY 40: I have taken control with an iSeries system.
It's a single integrated solution — server, storage,
software and security — that runs multiple operating
systems. Now, everything's simple. Booyah!

_DAY 41: I wonder how many other I.T. guys are
out there, trapped by their own infrastructure?
...Oh, the humanity.



IBM.COM/**TAKEBACKCONTROL**/iSERIES

MEDIA EMPIRES

Dick and Carl's Gobble

Carl Icahn wants Time Warner Chief Richard Parsons out. Parsons says he is not b

"There's this whole p.r. machine that says Parsons did a good job. I don't understand what he did that's good."

"Cable should be spun out to give shareholders a choice of owning content assets, a cable franchise or both."

"There's a lot that could be saved at each unit. At Time Warner they spend \$500 million a year for the top layer of executives, and it's unnecessary."



ON A RECENT AFTERNOON, as corporate raider and billionaire shareholder rebel Carl C. Icahn announced his hiring of Lazard Ltd. to help seize control of the board of Time Warner, Chief Executive Richard D. Parsons sat in his New York office and summed up his current status in four words: "I'm hangin' in here." Usually gregarious and upbeat, Parsons sounded exasperated, his creased brow underscoring his frustration.

Parsons is taking a solid pounding from Icahn these days. Upset by Time Warner's stalled stock price, Icahn plans a proxy

fight to field his own slate of candidates for the company's 14 board seats at next spring's annual meeting. If Icahn—who so far has put together a coalition of dissident shareholders representing 3% of Time Warner's 4.6 billion outstanding shares—gains a majority on the board, Parsons will be ousted.

"Parsons is a nice guy, but he is not the guy to run this company," says Icahn. "What you have here is an unnecessary bloated bureaucracy at the top."

Nice guy or not, Parsons is showing

no signs of caving in to the bluster of Icahn. His plan (if it can be called that) is to ride the company's prevailing good fortunes. While other media and entertainment companies, like Viacom, retrench and

Carl C. Icahn

Fire

By Brett Pulley

"I know Carl's not getting any traction."

"Cable is a strategic asset. Everything else that we do in this company rides across cable, and having assured access to cable is very important."

"We're always looking at costs. But don't look for massive, General Motors-style slashing. That sort of thing doesn't sit right in creative industries."

andon ideas of synergy, Parsons resists y talk of breaking up the Time Warner conglomerate.

"We will come back into favor, and when we do, we'll probably make up for t time," Parsons says. "We just have to it it out, do the right things and let the market take care of itself. I think some of e clouds will lift over the next 12 to 18 onths."

Shortly after becoming chief execu- e in May 2002, Parsons saw Time arner shares plunge from \$19 to \$9.60 major government investigations of OL loomed, civil lawsuits mounted and e company's debt teetered toward junk tus. But he managed to stabilize the mpany by settling the investigations d lawsuits, selling Warner's music busi- ss for \$2.6 billion and agreeing to a 7.5 billion joint acquisition, with omcast, of Adelphia's cable business. ll, Time Warner's stock remains stuck, ding at around \$18.

Enter Icahn, who now believes that



Richard D. Parsons

the company must be spun off in pieces to unlock value (see box). "If these operations are separated, you can save a fortune. You've got to do a massive restructuring," he says.

Icahn estimates that Time Warner would trade about 50% higher if the company spun off its cable unit, instead of selling a 16% stake, as Parsons plans to do in a public offering. Icahn also wants the company to buy back \$20 billion in stock through a so-called Dutch auction tender process, rather than the \$12.5 billion worth that Parsons has committed to repurchase over a two-year period.

Parsons gets annoyed when he hears this. "We have done everything that was ever on anybody's list of things that were necessary to unlock the stock, and of course it hasn't happened," he says. "It is frustrating because you'd like your shareholders to see some more tangible measure of progress than they've seen."

He does not, to be sure, favor grand visions of synergistic empires—after all, it was this kind of thinking that led to the disastrous AOL merger. But in the media world, having complementary units can add value. It helps, for example, to own cable systems when you're starting a new cable channel or to know that HBO can provide an additional outlet for films being produced by Warner Bros. And owning programming content is a sure way to beef up your Internet business.

Parsons says he wants to show investors that "we have a different profile than any of the big diversified media companies because we do have some of the Internet superspice in our portfolio—namely, AOL."

So far those arguments are winning, as Icahn's crusade is not causing much of a stir among investors beyond his core group, which includes JANA Partners, SAC Capitol Advisors and Franklin Mutual Advisers.

"We don't have any qualms about the way management is running the business," says Lawrence Haverty, an associate portfolio manager at Gabelli Funds, a division of Gamco Investors, which holds 18 million shares of Time Warner. "You change the board and

Time Warner Divided

Should Time Warner be broken up? Based on average multiples of cash flow for each business sector, here's one estimate of what the various companies would be worth in the private market if Time Warner were sold as separate units.

NETWORKS (Turner, HBO, WB) \$44.5 BILLION



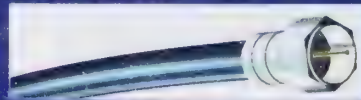
TIME INC. PUBLISHING \$11.5 BILLION



WARNER BROS. FILMS \$16.5 BILLION



CABLE TV \$44.5 BILLION



AOL \$17 BILLION



TOTAL BREAKUP VALUE \$134 BILLION

CURRENT MARKET VALUE \$86 BILLION

Source: Gabelli & Co.

upset the management and it could be very deleterious to the business."

Another reason Icahn's charge haven't resonated is that Time Warner stock has a lot of company in the Wall Street doghouse. The media, entertainment and cable sector is depressed—concerns regarding excess means of distribution, digital copying and competition from broadband and satellite. Cable represents 32% of Time Warner's \$10 billion in annual free cash flow (cash flow from operations less capital expenditures).

In most of its businesses Time Warner is performing well, and the company is expected to post high single-digit increases in free cash flow for 2005. AOL, which two years ago was such an embarrassment that the moniker was removed from the parent's company's name, is now the prized target of suitors, with MSN and Google currently in competing negotiations to form a partnership. AOL has improved programming and opened its network to nonsubscribers; its advertising revenue is up 39% through Sept. 30.

"We've brought the product a long way," says Michael Kelly, president of AOL Media Networks. But he admits that ad revenue is still not growing as fast as competitors Yahoo and Google.

Even the sort of great news that one would stimulate entertainment stock doesn't seem to matter these days. The market ignored the \$200 million box office take for *Harry Potter and the Goblet of Fire* in its first ten days. Cable earnings growth has been up in the double digits for the last five quarters.

Parsons says he's convinced he's "taking the right steps" to increase shareholder value. "I know Carl's not getting any traction," he says. Wall Street thinks he's got maybe six months for the stock to move—and if not, Icahn gains support.

But Parsons' frustration is palpable. In the reception area outside Parsons' office the composer and recording artist Quincy Jones and two friends greet the Time Warner chief with warm hugs. Parsons needs the love. He has a fight on his hands.

Never Follow audiusa.com



bsolute power thrills absolutely.

Audi S4 is a bold testament to the power of control. With quattro® all-wheel drive and heart-pounding 340 hp V8, the forceful acceleration and dynamic performance of the S4 is reserved for those who want their power uncorrupted. It's greater to lead than follow.



Bye-bye Ford, hello Honda: Wilmington, Del. dealer-owner Frank Ursomarso.

AUTOS

The Chevy's in the Levee

Add this to the list of problems for Detroit automakers: Some of their best dealers are throwing in the towel
By Joann Muller

LAST SUMMER NEW JERSEY CAR dealer Donald Toresco gave up his 23-year Ford franchise on a busy commercial strip 20 miles west of Manhattan to devote more space to his Toyota dealership. In Wilmington, Del. Frank Ursomarso did the same thing, replacing his underperforming Ford dealership with an expanded Honda store. "You've got to follow the market," he says. "I've got to go where the customers are going."

The domestic carmakers have plenty of problems these days. Now you can add dealer defections, a trend that if sustained could make it even harder for General Motors and Ford Motor to bounce back. Lately, amid seismic shifts toward imports in U.S. market share, those once sturdy networks of loyal dealers have shown signs of splintering.

Today's car dealers typically own multiple franchises of different brands—Ford, Honda, Nissan, etc. (This results, ironically, from GM's insistence decades ago that its dealers not compete with themselves by owning multiple GM shops.) So some dealers, whether private entrepreneurs or large, publicly traded companies like AutoNation, are putting more capital into the businesses

Following the Money

The number of domestic dealerships has been dropping, partly by design of the automakers. But some dealers are quitting on their own to invest more capital in their faster-growing import-brand stores.

	JAN. 2004	JAN. 2005
GM	7,462	7,342
FORD	4,459	4,436
CHRYSLER	4,110	3,997

Toyota and Honda dealers outsell their domestic counterparts, who must contend with too many dealers and declining U.S. market share.

2004 VEHICLE SALES PER DEALERSHIP

TOYOTA	1,464
HONDA	1,185
FORD	728
CHEVROLET	664
SATURN	483
GMC	260
PONTIAC	170
CADILLAC	157
BUICK	112

Source: Automotive News.

that offer the best returns—and that typically means imports.

"They're just shopkeepers," says Sheldon Sandler, president of Bel Air Partners, a financial consultant and broker who specializes in car dealerships. "The dealers will sell what sells." This difference is reflected in selling prices of dealerships. A Toyota dealer is fetching at least five times pretax earnings, says Sandler, a solid Ford store maybe three times. The average dealer in 2004, import and domestic, had a pretax net of \$560,000, according to the National Automobile Dealers Association.

Ursomarso had been selling Hondas since 1976, adding Fords in 1999, when SUVs were hot. Last year he sold an average 78 Hondas a month, to 26 Fords. His Honda store generated close to \$1 million in profit last year, while his Ford store, 100 feet away—one of five in the Wilmington area—merely broke even. Honda promised him more hot-selling models if he invested \$2.5 million to expand and upgrade his store with prominent signs and other amenities. With real estate at a premium, Ursomarso knew he could devote more space to Honda sales and service (and to his BMW dealership four blocks away) if he unloaded



**"CRUDE OIL PRICES
ARE A CRUDE WAY TO JUDGE
ENERGY COMPANIES."**



Doug Leggate

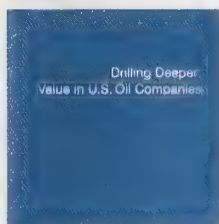
*Director of U.S. Oil & Gas Research,
Citigroup*

With oil prices very much in the news, investors interested in energy companies need to look beyond the volatile price of oil. Truly understanding an energy company's potential requires drilling down to fundamentals. What strategies does management have for long-term

growth? Are operations and infrastructure positioned to make the most of energy demand now and in the future? That's why our research department wrote

a report on major U.S. oil companies—to help investors understand the real value we believe these companies possess and the role they can play in your portfolio.

**For your copy of
Drilling Deeper: Value in U.S. Oil Companies,
call 1-800-327-6748, ext. 556
or visit smithbarney.com.**



SMITH BARNEY
citigroup 

the Ford franchise. He found a buyer, but Ford decided the new franchise was less desirable, and almost the deal "to Desmarco" unraveled, and up the franchise.

Eventually, says Desmarco, "the manufacturers will wake up and say, 'What happened? We lost our dealers.' It will be a rude awakening."

"They're going to lose position in certain markets where they need to be," says automotive analyst Maryann Keller. "They don't understand that they have lost the loyalty of their dealers."

The carmakers insist they've got plenty of entrepreneurs lined up to take over open franchises. "For every dealership that becomes available, I've got five dealers

standing in the wings ready to take it over," says Joseph Chrzanowski, GM's executive director of dealer network planning and investments.

Still, the danger for the Big Three is that the best dealers—the most talented entrepreneurs—will leave them, along with the best salespeople. A salesperson goes where the commissions are best, and those aren't on a Ford Explorer or a Chevy Silverado that can be unloaded only with rebates and haggling. Better to be selling Toyota Priuses, which leave the lot at a price above the sticker.

If the manufacturers had a completely free hand, they would shrink their dealer networks by forcing badly run stores into

the hands of strong ones and closing down the weakest locations altogether. That would boost the number of cars sold per store. At the moment the average Toyota store moves 122 vehicles a month, double the Ford and Chevrolet figures. It'll be no surprise if Toyota dealerships get more of the multimillion-dollar upgrades.

But culling the herd is slow and difficult, partly because state franchise laws protect the country's 21,640 car dealers (who exert much political power in state legislatures). Another problem is that many dealerships are family-run enterprises. The next generation may want to cling to a franchise even if it's not making much money for the dealer or for the manufacturer.

WRONGDOING

Inside Washington's Green Zone

The surprise is what's legal By Janet Novack and Matthew Swibel

A TRIO OF GUILTY PLEAS LAST MONTH illustrated some things politicians and those seeking to influence them can't do—legally, that is. A pol can't take \$2.4 million in bribes (including cash, checks, commodities and yachts) to steer Pentagon contracts to friends, as Representative Randy (Duke) Cunningham (R-Calif.) did. Or use campaign funds to

buy a house, as Kansas Republican congressional candidate Adam Taff did. A political consultant can't conspire with a lobbyist to corrupt a member of Congress or cheat Indian tribe clients, as Michael Scanlon, a former aide to Representative Tom DeLay (R-Tex.) and business partner of lobbyist

Jack A. Abramoff, admitted having done.

But porous ethics rules still allow lots of lobbyist money to seep through to Congress. In fact, lobbyists are under so much pressure to cough up campaign cash that

they hope the scandals force Congress to bar their profession from political fundraising. Well, that's what two lobbyists told us. (Connecticut just enacted such a ban.)

Federal Election Commission and congressional pronouncements suggest these boundaries between the legit and the illegit:



A senator **CAN** have a corporate jet make a special flight just for him and reimburse the company for first-class airfare—not for the much higher real cost of the flight.

A representative **CAN'T** take travel expenses directly from a lobbyist, but he **CAN** take expenses from a charity or other organization with a lobbyist on its board.

Corporations **CAN'T** contribute to a politician's campaign fund, but they **CAN** contribute to a charity with which he's associated. And those donations needn't be reported.

Congressmen and their staffers generally **CAN'T** take any gift (or food or entertainment) worth \$50 or more, or a total of \$100 or more in gifts from any one person. But they **CAN** accept gifts worth up to \$250 given on the basis of "personal friendship."

A lobbyist **CAN** spend an unlimited amount of his

personal time on political fundraising. The Center for Public Integrity reports that 39 sitting members of Congress have lobbyists as treasurers of their personal campaign committees or their own PACs.

Congressmen and staff **CAN** take a club seat ticket to an NBA Wizards or NHL Capitals game at Washington's MCI Center, based on the fact that the owner of the teams has set the face value of the tickets at \$49.50. (You can't actually get them for that.)

A House member **CAN** accept food from a lobbyist worth up to \$49.99 per each staffer working late. He **CAN'T** take the food if the lobbyist has a "direct interest" in the legislation his staff is toiling over that night.

A congressman **CAN** use campaign funds to defend himself in a bribery investigation—provided the alleged wrongdoing is related to his official position.

IWC. Engineered for men.



IWC
SCHAFFHAUSEN
SINCE 1868

I'll have to wait.

Ingenieur Chronograph AMG. Ref. 3725: In 1868, watchmaker F. A. Jones founded the International Watch Company in Schaffhausen. Since then, our engineers have developed many of today's legendary timepieces – the Portuguese family, the Pilot's Watches, the Da Vinci and the Aquatimer series. It's good to know that our watches aren't just packed with technical advances. But also with the passion of our engineers.

Mechanical chronograph movement |
Soft-iron inner case for protection
against magnetic fields (figures) |
IWC bracelet system | Antireflective
sapphire glass | Water resistant to
400 feet | AMG back engraving |
42.5 mm case diameter



IWC Schaffhausen, Switzerland, www.iwc.ch
For an authorized retailer nearest you, please call (800) 432-9330, or visit our website.

DOCTOR'S ORDERS

Merck's new chief executive, Richard Clark, calls eliminating 7,000 positions, or 11% of the payroll, the first step toward righting the ailing company. Merck is losing \$8 billion (annual volume) worth of drugs to patent expirations through 2008. And then there's the Vioxx mess. So what are steps two and three? Some speculations:

SWING THE AX

"The company needs to cut more," says Michael Krensavage of Raymond James, a Merck bull. He recommends the unthinkable: Cut the 13,000-rep sales force, ending a decade-long drug industry arms race.

DO A DEAL

Merck could buy Schering-Plough. It already sells cholesterol drugs Zetia and Vytorin with the company. Or, more radically, it could sell itself to Pfizer, as Barbara Ryan at Deutsche Bank suggests. What about antitrust problems? The next wave of patent expirations could erase most of them.

DISCLOSE SECRET DRUGS

Merck has long prided itself on keeping much of its earlier-stage research under wraps to elude competitors. But investors would feel a lot more confident if they knew whether high levels of research spending would be able to replace Merck's current top sellers.

GIVE IT AWAY

Merck already has a 5.1% dividend yield, but maybe it should give back more. Or, says Christopher Schott of Bank of America, maybe it should buy back more shares. Either move would put the cash safely out of the reach of tort lawyers.

—Matthew Herper

ON THE DOCKET

Sticker Shock

Even consumer advocates are complaining about warning-label overkill.

By Daniel Fisher

JUST IN TIME FOR THE HOLIDAYS comes this warning from the Ralph Nader-inspired U.S. Public Interest Research Group: Manufacturers are slapping too many warning labels on toys. In its twentieth annual "Trouble in Toyland" report released in November the consumer group singles out Mattel for putting a blanket warning that "small parts may be generated" on many of its toys. This includes a solid plastic Dora the Explorer doll that could only be a choking risk if it were smashed with a hammer.

"If every single toy has a choke hazard warning on it, then the warning label becomes meaningless," complains Alison Cassady, author of the U.S. PIRG report.

How ironic—this is exactly the point

any mystery about what can happen when you stand on the top of a ladder and the impossibility of making the products idiot-proof, manufacturers slap warning labels on everything but a kitchen sink in order to ward off liability.

The strategy works reasonably well in fending off suits, and an entire federal bureaucracy, the Consumer Product Safety Commission, is devoted to enforcing label requirements. But there's not much evidence warnings reduce consumer injuries or deaths. (Enforced industrial safety programs have a much better record.)

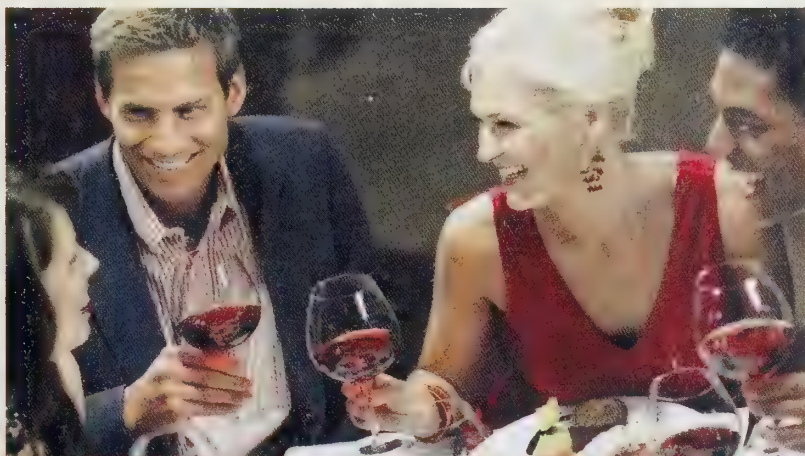
In one of the best-controlled studies, CPSC researchers in 1978 found that an expensive program that included handing out safety brochures to individual consumers had no effect on lawn mower injuries. The rate actually went up in

one Georgia county where the experiment was run. (Research acknowledged the impact on injuries was "equivocal.")

Other studies have shown no effect on injuries from rollover warnings in Ford Broncos, safety warnings on bunk beds, or the warnings to pregnant women on alcohol containers. A recent study of pictorial warnings on pill bottles shows that most consumers have no clue what they mean.

"On a few labels they construed the meaning to be the exact opposite





A WINE IS BEST ENJOYED WHEN PAIRED
WITH AN EXCEPTIONAL EVENING.



FLEMING'S PRIME STEAKHOUSE & WINE BAR

Discover 100 wines by the glass and the finest prime steaks
in an atmosphere that's gracious and lively.

WHERE EVENINGS OUT BECOME MEMORABLE TIMES

For locations visit flemingssteakhouse.com

what was meant," says Michael Wolf, a researcher at the Feinberg School of Medicine at Northwestern University and coauthor of the soon-to-be-published study.

So why does a standard ladder contain, by one expert's estimate, 600 words of warnings, including one alerting consumers to the risk of placing it in front of a swinging door? Blame the U.S. tort system and groups like PIRG. Starting in the mid-1960s courts increasingly held manufacturers liable for injuries their products caused, even when user ineptitude was a contributing factor, under the theory that liability would spur the manufacturer to come up with safer designs.

Some products, like steak knives, can't

be made entirely safe. If the risk is obvious, there's no need for a warning label—hence, steak knives don't have them. Ah, but what's "obvious"? In a controversial 1999 decision the Second Circuit Court of Appeals in New York held that Hobart Corp. was liable for failing to put a warning label on a meat grinder in which an employee lost his hand. The safety guard that was on the grinder when it left the factory in 1961 was sawed off some years later. The company was nevertheless found negligent for failing to anticipate how future owners would alter the machine.

"What am I going to warn them about?" asks Aaron D. Twerski, an expert on warning labels at Hofstra University School of Law, who wrote a brief (that

supported the manufacturer's position in the case. "Any modification any id might make to the machine?"

So it's hardly surprising that companies respond by plastering their products with warnings about every conceivable risk. And U.S. PIRG is one of the bigger cheerleaders for more, says Gary Kleiman, attorney for the Toy Industry Association. The group "would have wanted to have the Pet Rock labeled with a warning that it might create blunt trauma if tossed with sufficient velocity at another," Kleiman says. Responds Cassady of U.S. PIRG: "I just want parents to know when they're shopping that there are hazards."

Including the glazed stare that comes from reading too many warning labels.

REAL ESTATE

Who's King Of Chicago?

Trump finds himself in a price—and bragging—war with Ritz-Carlton founder Horst Schulze.

By Stephane Fitch



THIS YEAR DONALD Trump did something nobody else has dared to try: He bet that usually stingy Chicagoans were just as willing as New Yorkers to overpay for a pied-à-terre downtown. And he was right. Trump broke ground on a 90-story, \$600 million condominium-hotel on the Chicago River and soon gleefully jacked up his prices from \$600 per square foot to \$1,000 and higher for many units—startling real estate agents and delighting everybody who bought in early. Trump still has 225 of 750 condos left to sell; the building won't open until 2007.

But now he's up against a competing project right across the river, headed by celebrated Ritz-Carlton founder Horst Schulze. Schulze and his development partner, Robert Falor, are spending \$125 million to convert a 46-year-old, 454-room, 39-story hotel to a condo-hotel and reopen it under a new flag:

Solis. They're undercutting Trump's prices and promising to deliver this summer, a year ahead of him.

A 530-square-foot unit in the Solis, with furniture, 42-inch flat-screen televisions, marble bathrooms and views of the Chicago River (and Trump's development), was selling for \$400,000 in December, roughly half what Trump was getting for the equivalent unit. "By the time Trump opens, I've got the customer[s], and I'm not going to lose them," Schulze crows.

"We have no competition," declares Trump, who doesn't deign to mention Schulze by name. "They all come in and say, 'Hey, let's outbuild Trump.' But we have the best location, the best building and most of all, we have the Trump brand." And, at the moment, a 30% vacancy rate.

F



ONLY FROM CINGULAR: THE BLACKBERRY 8700c™

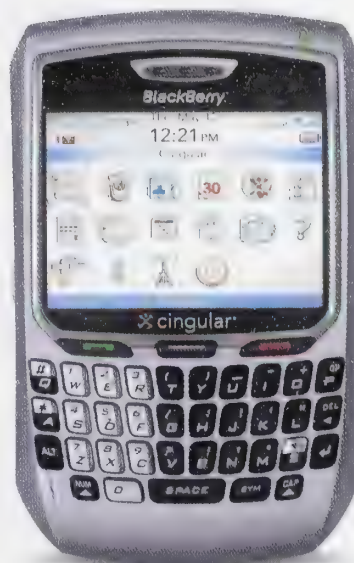
take care of business and look good doing it.

A superior voice and data experience in a sleeker, more stylish form.

- Works on Cingular's EDGE, America's largest high-speed wireless data network
- Global coverage with GSM quad-band connectivity
- Hands-free speakerphone
- Corporate and personal email access
- Bluetooth® enabled

"The new 8700c model...is the best BlackBerry yet. It is lighter and smaller than prior full-size models and has a dazzling color screen."

— Walt Mossberg,
The Wall Street Journal,
November 10, 2005
©2005 Dow Jones and Company, Inc.



BlackBerry 8700c

\$299⁹⁹

after 2-year service agreement and
\$50 mail-in rebate with BlackBerry® data
and voice rate plans \$39.99 or higher.

BlackBerry

Call 1-866-4CWS-B2B

Click www.cingular.com/blackberry8700c

Visit your nearest Cingular store

 **cingular**
raising the bar 

not available in all areas. **Limited-time offer.** Other conditions and restrictions apply. See contract and rate plan brochure for details. Up to \$36 activation fee applies. Phone price and availability may vary by market. **Early**
on Fee: None if cancelled in first 30 days, thereafter, in FL, GA, SC, NC, KY, TN, MS, LA, AL, NY, and applicable parts of IN and NJ, \$240 prorated over term, elsewhere, \$150 flat rate. Some agents impose additional fees. **Sales**
based on price of unactivated phone. **Rebate:** Price before \$50 mail-in rebate is \$349.99. Allow 10–12 weeks for rebate. Rebate not available at all locations. Must be customer for 30 consecutive days. Must be postmarked
6. Additional hardware or software may be required. The BlackBerry and RIM families of related marks, images, and symbols are the exclusive properties of and trademarks or registered trademarks of Research In Motion
used by permission. RIM and Research In Motion are registered in the U.S. Patent and Trademark Office and may be pending or registered in other countries. ©2005 Cingular Wireless. All rights reserved.

GOLD COINS

OFFER BEAUTY & WEALTH



Gold coins — rich in history and artistic beauty — offer both enjoyment and investment opportunity. “Gold is an exceptionally effective way to add safety to any investment portfolio,” explains Jonathan Rose, president of The Capital Gold Group, Inc. “It preserves its value and is unaffected by wars, high energy prices and similar world events. Gold coins purchased as collectible items offer not only the value of the actual gold, but also the intrinsic value of holding something that is available only in limited quantities.”

The Saint-Gaudens \$20 gold coin, first minted in 1907, is considered one of the most beautiful U.S. coins by numismatic enthusiasts worldwide. Designed by the noted sculptor Augustus Saint-Gaudens at the request of President Theodore Roosevelt, who felt that U.S. coins were unattractive, the coin features a full-length portrait of Lady Liberty holding a torch in one hand and an olive branch in the other. The figure is surrounded by stars, which represent the number of states that existed in 1907. The \$20 gold pieces were made from detailed, high-relief dies. But this process was too difficult and costly, and after producing only about 11,000 coins, the U.S. Mint moved to lower-relief dies.



the Saint-Gaudens pieces were minted in modest quantities until when the U.S. abandoned the gold standard. Many of these gold \$20 coins were melted down after President Franklin D. Roosevelt recalled gold coins in an effort to aid the faltering U.S. banking system. The Saint-Gaudens piece and other coins made available to 1933 offer investors another advantage — a high level of liquidity because they are exempt from the requirement to report gold sales.

THE NEWEST COLLECTIBLES

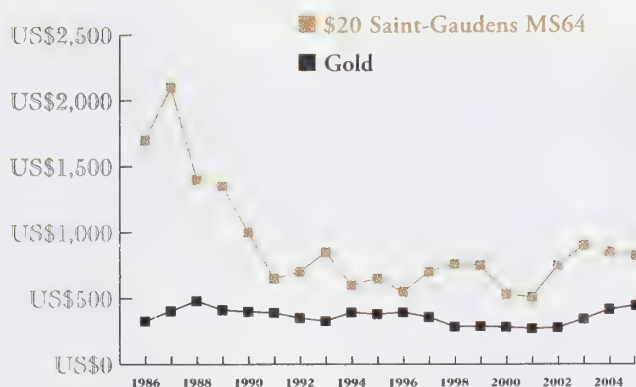
American Eagle Proof Gold coins, first issued in 1986, are popular collectibles and are the first gold coins minted by the U.S. since 1933. To honor this event, the U.S. Mint chose Saint-Gaudens's Liberty design for the front of the coin. The reverse features a family of eagles, which symbolize unity. These are the only gold bullion coins of this weight, content and purity are backed by the U.S. government. American Eagles offer both liquidity and appreciation. These gold coins are easy to resell and convert into cash, and increase in value if held over time because they are minted in limited quantities. They are also of exceptional quality. "Proof gold is the highest form of precious metal," says Mr. Rose. "I like to refer to it as the Royce of gold."

MAKE YOUR CAPITAL AS SAFE AS GOLD™

Gold coins introduce a new asset class into any portfolio, thereby providing true diversification for an investor. They resist the effects of rising oil prices, global security concerns, natural disasters, political unrest and other uncontrollable events. Because gold's performance tends to move independently of other asset classes, you are reasonably assured that your gold investment will retain value over the long term, which adds a safety net to your investment portfolio. According to the World Gold Council, the price of gold has kept pace with inflation for at least 200 years.

Gold is also an excellent way to protect against the shrinking value of the dollar. Not only are some countries, including China, disassociating their currency from the dollar, but central banks around the world are also beginning to sell dollars and purchase euros as that currency gains strength. The euro is partially backed by gold, unlike the dollar. "By holding collectible gold coins," says Mr. Rose, "you protect against inflation, world events that impact economies and the shrinking value of your dollars, and you create value as the coins appreciate. So you increase the security of your investments and create a double-profit situation at the same time because you benefit as the commodity becomes more scarce and as the gold itself grows in value. In addition to these very real financial benefits, coin collecting is an fascinating activity that can be very enjoyable. It's always a great time to invest in gold coins."

\$20 SAINT-GAUDENS MS64 vs. GOLD



Source: greysheet.com

Collectible gold coins offer double value: their gold content and the "scarcity factor" resulting from their limited availability. As this chart indicates, the price of the Saint-Gaudens \$20 solid gold U.S. coin (MS64 grade) historically has been higher than the spot price of gold, attesting to its value as an investment.

MAKE GOLD PART OF YOUR PORTFOLIO

Call 1-800-510-9594, or visit www.safeasgold.com

to get your free *Insider's Guide to Owning Gold*, which will show you how to purchase gold at the lowest possible prices and which gold coins will give you bigger returns in the future.



JUST FOR FORBES READERS:

Make a gold purchase and we will add a free gold coin to your portfolio. Please mention code FB-122605 when you contact us.



THE CAPITAL GOLD GROUP

Money & Investing



Asset-protection guru
Robert Lambert loves
offshore trusts: "Stealth
works," he says

Where Did the Money Go?

You win a big judgment, but the defendant has tucked his assets into an offshore account. Collecting will be a challenge | By Seth Lubove

THE ACCUSATIONS IN THE rape trial were sordid, even by Los Angeles standards. A woman we will call "Ms. X" said she met John Gordon Jones, an office supplies entrepreneur, at a nightclub in Hollywood. Ms. X, then 25, said that Jones seduced her drink with a date-rape drug, then took her back in his limo to his home north of Beverly Hills. She awoke to find herself being sexually attacked, first by another woman and then by Jones. In a 2001 trial Jones was charged with kidnapping and raping Ms. X and eight other victims. Jones said the sex was consensual. She won acquittal on all counts.

Ms. X was not done. She pursued a civil case against Jones, and a judge awarded her \$6 million (including interest) in 2002. When the woman tried to collect, however, she discovered that Jones had transferred the bulk of his \$8 million in assets to accounts in the Cook Islands. This is a favorite South Pacific haven of the wealthy to keep their fortunes beyond the reach of creditors, lawyers and ex-wives.

With Cook Islands law designed to protect business from people who want to protect their assets from judgments, it would have been next to impossible for

Ms. X to collect her money in a legal action there. So she sued the Cook Islands bank that held the Jones trust in the U.S., winning a \$3 million default judgment. But this judgment was no more enforceable than the earlier one. Reason: This bank had no discernible assets in the U.S. to attach. Needless to say, offshore banks in asset havens usually do not maintain correspondent balances in New York City. They do business with a daisy chain of other offshore banks.

Getting a court order forcing Jones to cough up his offshore assets was the next step. But such orders are neither quick in coming nor automatically granted. In the end Ms. X settled with Jones for an undisclosed amount. Then she went after some peripheral players. A suit against the financial consultant she blames for helping arrange the offshore scheme, Robert Lambert of San Clemente, Calif., got her a \$60,000 settlement. Another suit, against Miami asset-protection promoters Patricia Donlevy-Rosen and Howard Rosen, was settled for \$47,500.

To consultant Lambert, the roly-poly mastermind of many offshore trusts, there's nothing wrong with shielding clients who have suffered financial reversals from creditors. "I don't want to see men and women throw their life away

because of a loss," he says.

Yes, there are legitimate domestic asset-protection schemes (*see box, p. 60*) to fend off ruinous legal awards against doctors hit by medical malpractice claims, executives by shareholder suits, spouses by divorce. But from the point of view of the plaintiffs, asset-protection trusts frustrate the public policy of accountability enshrined in common law. According to a Government Accountability Office study last January, only 7%, or \$40 million, of the \$568 million owed in restitution in five unnamed criminal cases—much of it tucked offshore—has been paid.

Impenetrable as offshore trusts may be, their owners still are subject to U.S. law. Thus the owners can't (without committing felonies) use trusts to avoid U.S. taxes, says Jay D. Adkisson, a debtor-creditor attorney who has coauthored a book on asset protection. U.S. citizens must declare income from anywhere in the world. These facts, and the possibility that the defendant could get a contempt-of-court citation for failing to disgorge funds from offshore accounts, give plaintiffs some leverage. Here are tips for people trying to collect from wealthy, secretive deadbeats:

Follow the paper trail. Robb Evans, a court-appointed receiver in many fraud

cases, knows debtors won't volunteer where they stashed their funds, so he keeps alert for any clues. On a visit to a debtor's office he caught wind of the Cayman Islands bank where the guy had planted \$25 million in assets. Evans spotted a piece of scrap paper with the bank's phone number in a wastepaper basket.

In the Jones rape civil case the plaintiff's attorney got a court-ordered edict to examine Jones' financial paperwork. Steven Schuman, a Beverly Hills lawyer, tracked Jones' assets by sorting through his checks and finding a title transfer to the trust for his home.

Get a court order. Judges have become especially dubious of offshore trusts in recent years, even if they were formed so far in advance of a legal judgment that no connection is possible. Example: Denyse and Michael Anderson, a San Diego couple accused by the Federal Trade Commission in 1998 of creating a \$13 million Ponzi scheme for a telemarketer selling such curious contraptions as the "Aqua-bell," a water-filled dumbbell.

Their Cook Islands account, set up in 1995, had a standard arrangement if the Andersons got a court order to surrender their assets: It would remove them as trustees, so even the Andersons couldn't get the money. Tricky, huh? After the U.S. court ordered them to get the funds back, their offshore trustee slammed the door. A federal court found the couple in contempt and threw them in jail until they agreed to help the FTC get the money.

Prove fraudulent transfer. This term refers not to the crime of fraud but to the civil offense of transferring assets in order to defeat creditors' legitimate claims. If an offshore transfer occurred shortly before your lawsuit, then you have a better chance of persuading a judge to order the defendant to undo the transfer.

Use bankruptcy law. If a defendant who owes money on a judgment winds up, either voluntarily or involuntarily, in bankruptcy court, he has to declare all his assets, including offshore ones. Lying about the existence of assets is a felony. Admitting to the offshore accounts but arguing that they are somehow locked up beyond the reach of the debtor might or might not convince the bankruptcy

judge. Derivatives trader Stephan Jay Lawrence shifted \$7 million to Mauritius to avoid paying a judgment owed to Bear Stearns over a margin call, then declared bankruptcy. Brushing aside Lawrence's argument that he no longer had access to his funds, a judge in 1999 jailed him until he could cough up the money. Jones declared bankruptcy in July 2002 to escape Ms. X's claim, but the judge dismissed it as a "bad faith filing."

Don't focus on just one person. Consumers lost \$172 million to debt counseling firm AmeriDebt, which shunted \$19 million to the Cook Islands and elsewhere, using relatives of founder Andris Pukke as trustees, says the FTC. "The receiver made a lot of allegations, many of which are incorrect," says Pukke's attorney, John B. Williams of Jones Day.

Go after the remaining money. Should a chunk of the assets remain outside the trust, it's fair game. Financial advisers usually

counsel clients not to put 100% into an offshore trust, which can be hard to get to.

Nevertheless, as the outcome of the Jones imbroglio shows, the asset-protection industry has many sharp operators who do a very good job keeping their clients' bodies secure. One of the sharpest is Jones consultant, Lambert, who brings an evangelical verve to the cause of his clients. "I'm like a preacher," says Lambert, 55.

He says he went bankrupt investing in California real estate in the 1980s and lived in his car, subsisting on food stamps. Then he reinvented himself as an asset-protection consultant to help others avoid his fate. He charges \$25,000 and up to arrange offshore trusts. On the Web site of his firm Asset Protection Corp., he advises: "What judgment creditors don't know about can be taken. In other words, stealth works."

Lambert says he had very little to do with Jones' offshore account since he wouldn't arrange one for someone behind

bars. (Jones was in jail for two years awaiting trial.) The consultant says he simply set up a run-of-the-mill offshore trust benefiting Jones' mother. This trust was to repay her for helping to grubstake his office supplies business. The Jones family, Lambert says, wasn't sure Jones would survive jail to make money whole. Lambert says the offshore plan to protect Jones' money was forged by the asset advisers in Miami. The Rosens say they were duped by Jones and his people. "We've done hundreds of these and this is the first and only time we ever had a client lie to us," says Patricia Donlevy-Rosen.

But Lambert was in a lot deeper than he lets on, says Ms. X's lawyer Schuman. Lambert worked actively with the Rosens in shaping a complicated Cook Islands trust to shelter Jones' \$5.5 million Beverly Hills home and various other investments.

"There are a lot of scumbag practitioners who will do asset protection for anybody, no matter how dirty," says Lambert. He says he's not one of them. **F**

So You're The Defendant

YOU DON'T HAVE TO CARRY A SATCHEL OF CURRENCY TO the Cayman Islands to protect your wealth. Here are some legitimate maneuvers for those worried they will be targeted by creditors in the future.

HOMESTEAD EXEMPTIONS Put a chunk of your net worth into a big house in one of eight jurisdictions (Florida, Texas, Arkansas, Iowa, Kansas, Oklahoma, South Dakota and Washington, D.C.) and creditors can't get to it. Do this well in advance of trouble. Under the new federal bankruptcy code you must live in the home at least two years after buying it, and the exemption is limited to \$125,000 unless you have owned the place (or another in the state) for a minimum 40 months.

ALASKA TRUSTS Alaska and six other states (Delaware, Nevada, Rhode Island, Utah, Oklahoma and Missouri) offer junior versions of offshore asset-protection trusts. While not as formidable as the overseas kind, they slow down creditors with one more layer of legal hassles. You don't even need to live in one of these states to get into a trust.

RETIREMENT AND EDUCATION ACCOUNTS Tax-deferred IRAs and 401(k)s are exempt from creditor judgments. Ditto 529 college savings plans (almost never taxed). Caveat: If filing for bankruptcy, you must have started funding one at least two years prior to prevent problems. —Larry Light



WORRY LESS. ACCOMPLISH MORE.

Trend Micro Worry-Free Security Solutions

Introducing the next generation of all-in-one security for Small and Medium Business— a breakthrough approach that provides Automatic Protection 24/7, with zero administration. Spend time building your business. Don't spend time worrying about security. Trend Micro. Far more protection, far less worries.

Free yourself from worries at www.trendmicro.com/worryfree



Live Within Your Means

Don't just go for dividend payers. Look for the companies that can afford to keep their dividends up | By Jack Gage

CASH DIVIDENDS, SO PASSE during the go-go dot-com boom, suddenly came back into favor with the May 2003 tax cut. Now, at 15%, the federal tax rate on dividends (from most corporations) is the same as the rate on long-term capital gains. And so there has been an explosion in dividend hikes (22% more in 2004 than in 2002) and one-time dividends (68% more).

What's not to like? Companies that can scarcely afford the cash payouts they are making. We offer a sampling of suspect yields in the upper table.

Richard Bernstein, chief U.S. portfolio strategist at Merrill Lynch, is a fan of

dividend-paying companies. He notes that over the next decade steady payers should gain ground over low-yield growth stocks as risk-averse, income-thirsty baby boomers hit retirement age.

But Bernstein warns that some companies are dishing out more cash than is prudent. Your risk here is not just that your quarterly payout will be cut but also that you will suffer a sharp capital loss when the market reacts to that cut. One warning sign that Bernstein looks out for: dividends that are higher than earnings or free cash. Free cash flow, the source of cash to pay dividends, is (roughly speaking) net income plus depreciation minus capital expenditures.

Another trouble indicator: long-standing deterioration in free cash flow.

Investors who applied the former test wouldn't have been caught short in December 2000 when AT&T slashed its payout by 82%, its first dividend cut in a century. The telecom giant's stock ended the year down 66%. The telltale warning AT&T hadn't generated free cash flow covering its dividend payout for any of the previous six years. Today AT&T survives in name only following its takeover by SBC Communications, which has assumed the AT&T name and famous "T" ticker symbol.

Taking a cue from Bernstein's methods, we screened large companies for those with payouts that exceed earnings or free cash or both. All five of these also show shakiness in free cash flow per share, with an average compound annual decline of 13% over the last five years.

The flip side: companies with meager yields but plenty of room to boost their payouts. The five technology stocks shown here have a five-year compound growth in free cash flow per share of at least 14%. They also pay out less than 16% of free cash, harbor less than 15% of equity in debt and are sitting on cash equal to at least 10% of market capitalization. The paragon of cash generators is Microsoft with a fat \$40 billion hoard. Last year it disbursed some of its cash stash in a special dividend to investors.

Brian McMahon, who runs the Thornburg Investment Income Builder fund, sees safety in companies yielding at least 2%. Companies flush with cash often mismanage investments through damaging acquisitions or irresponsible expansion, he says. A fat dividend, he continues, "helps avoid the 'boys with toys' syndrome; a bit of capital discipline is usually best for the company, too."

Dicey Dividends

These five companies have tempting dividends that upon closer inspection don't look very secure. Payouts exceed earnings or free cash flow or both.

COMPANY	RECENT PRICE	YIELD	DIVIDENDS AS PERCENT OF	
			EARNINGS ¹	FREE CASH FLOW ^{1,2}
AT&T ³	\$24.91	5.2%	111%	74%
DOW JONES	34.11	2.9	152	57
DUKE ENERGY	26.86	4.6	46	103
GENERAL MOTORS	21.90	9.1	Negative	Negative
MARSH & MCLENNAN	30.89	2.2	Negative	110

Prices as of Nov. 30. ¹Last 12 months. ²Free cash flow (cash from operations minus capital expenditures). ³Formerly SBC Communications. Source: Reuters Fundamentals via FactSet Research Systems.

The Next Microsoft?

Five possible dividend increasers. Precedent: Microsoft coughed up a one-time \$33 billion payout to appease investors unsatisfied with its quarterly 8 cents per share.

COMPANY	RECENT PRICE	YIELD	DIVIDENDS AS PERCENT OF	
			EARNINGS ¹	FREE CASH FLOW ^{1,2}
DRS TECHNOLOGIES	\$49.40	0.2%	5%	4%
HARRIS	44.58	0.7	20	14
HEWLETT-PACKARD	29.67	1.1	38	15
IMATION	43.96	1.1	25	16
NATIONAL SEMICONDUCTOR	25.88	0.5	11	8

Prices as of Nov. 30. ¹Last 12 months. ²Free cash flow (cash from operations minus capital expenditures). Source: Reuters Fundamentals via FactSet Research Systems.

A close-up portrait of Jim Bakke, a man with dark, wavy hair, wearing a light-colored suit jacket, a white shirt, and a patterned tie. He is looking slightly off-camera with a subtle smile. The background is a blurred office setting with blue-tinted windows.

JIM BAKKE
PRESIDENT AND CEO
SUB-ZERO FREEZER COMPANY
AND WOLF APPLIANCE COMPANY

SAS gives Sub-Zero and Wolf

THE POWER TO KNOW

how to put the freeze on warranty issues and improve customer satisfaction.

Sub-Zero Freezer Company and its corporate companion, Wolf Appliance Company, understand that quickly identifying and resolving warranty issues is the key to better product quality, lower warranty costs and greater customer satisfaction. That's why Sub-Zero and Wolf chose SAS as its business intelligence partner for warranty analysis. To learn more about Sub-Zero and other SAS success stories, visit our Web site.

www.sas.com/subzero





VANGUARD MID-CAP VIPERS

ETFs from Vanguard | 23 select Vanguard VIPERS[®] from highly targeted sectors to international markets to broad domestic indices. Built on 30 years of indexing expertise. Designed for better market tracking. Significantly lower costs than other ETFs*. Experience, accuracy, and lower costs. Just what you'd expect from Vanguard. Connect with Vanguard™ at 800-817-7331 or our dedicated advisors' website at advisors.vanguard.com.



Vanguard



LISTED To buy or sell VIPERS, contact your financial adviser. Usual commissions apply. Not redeemable. Market price may be more or less than \$1. For more information about Vanguard VIPERS, call or visit advisors.vanguard.com to obtain a product description and prospectus. Investment objectives, risks, charges, expenses, and other information are contained in these documents; read and consider them carefully before investing. All VIPERS are subject to risk, including possible loss of principal.

The Vanguard Group, Inc. All other marks are the exclusive property of their respective owners. ©2005 The Vanguard Group, Inc. All rights reserved. U.S. Pat. No. 6,879,964 B2. Vanguard Marketing Corporation. Distributed by Vanguard Marketing Corporation.

ETFs THE SECOND WAVE

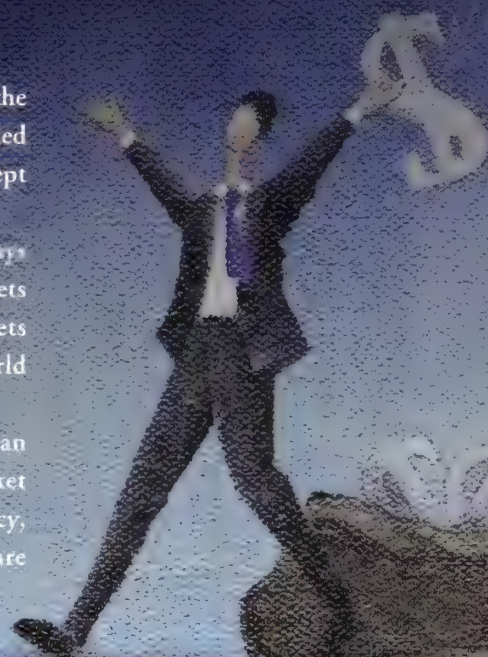
Today's ETFs (Exchange-Traded Funds) are venturing into uncharted territory, offering investors easy and inexpensive access to new markets like commodities and currencies. These new products are innovative, complement the current worlds of equity and fixed income ETFs and are being heralded as the second wave of an already successful industry.

Written by Marsha Zapson

Investors in the U.S. today can barely open a business magazine or turn on the day's market roundup without some mention being made of exchange-traded funds. The product that no one had heard of just a few years ago has crept into the average Jane's and Joe's portfolio with impunity.

And it's not just in the U.S.; ETFs have become a worldwide phenomenon, says Bobbie Fuhr, chief ETF strategist at Morgan Stanley. While global ETF assets increased 16.1% year to date through the end of September, U.S. assets increased by 15.7% for the same period. (In comparison, the MSCI World benchmark is up 4.7% in dollar terms.)

Today's ETFs, which are baskets of stock that trade throughout the day on an exchange, have given U.S. investors the ability to go long or short market segments heretofore unavailable, cheaply and easily. Gold bullion, currency, oil, aerospace and defense, nanotechnology, dividends and clean energy are some of the new markets available.



VANGUARD VIPERS GAINING TRACTION IN ETF MARKET

Since launching its family of exchange-traded VIPERs® to 23 offerings in 2004, Vanguard has emerged as a leader in the ETF marketplace. Vanguard now offers a full stable of domestic stock and international equity VIPERs tracking leading benchmarks. The company long known for its ultralow mutual fund costs, Vanguard brings the same advantage to its VIPER Shares, which feature expense ratios among the lowest in the industry (according to Lipper, Inc.). The \$5 billion Vanguard Total Stock Market VIPER (VTI), the largest broad market ETF available, has an expense ratio of 0.07%. Along with the traditional benefits of exchange-traded funds, including continual pricing and trading flexibility, VIPERs are offered by a trusted investment firm that has three decades of index fund management experience and expertise.

VIPER Shares are not redeemable with an Applicant Fund other than in Creation Unit aggregations. Instead, investors must buy or sell VIPER Shares in the secondary market with the assistance of a stockbroker. In doing so, the investor may incur brokerage commissions and may pay more than net asset value when buying and receive less than net asset value when selling.

All VIPER products are subject to stock market risk, which may result in the loss of principal. Prices of mid- and small-cap VIPER products often fluctuate more than those of large-company VIPER products. International VIPER products involve additional risks, including currency fluctuations and the potential for adverse developments in specific countries or regions. VIPER products that invest in emerging markets are generally more risky than those that invest in developed countries. Sector VIPER products are subject to sector risks and non-diversification risks, which may result in daily performance fluctuations that are more extreme than fluctuations in the overall stock market. In addition, sector VIPER products that sample their target indexes to comply with tax diversification rules may experience a greater degree of tracking error than other VIPER products.

Vanguard Marketing Corporation, Distributor

©2005 The Vanguard Group, Inc. All rights reserved. Patent Pending

500 is a trademark of The McGraw-Hill Companies, Inc., and has been licensed for use by The Vanguard Group, Inc. Vanguard mutual funds are not sponsored, endorsed, sold or promoted by Standard & Poor's, and Standard & Poor's makes no representation regarding the advisability of investing in the funds.

Vanguard, VIPER, and VIPERs are trademarks of The Vanguard Group, Inc. All other marks are the exclusive property of their respective owners.

Topping the list this year, however, is the launch of three ETFs tracking new U.S. micro indexes. Given that nearly half of all U.S. stocks are considered microcaps — a startling statistic — it is a space that abounds with opportunity. Yet most investors have shied away from microcaps, seeing these companies (which represent only about 1.5% of the total market cap of the U.S. stock market) as too risky, too volatile.

But that may all change when investors begin adding these new ETFs to existing ones. With 15 U.S. ETFs available, just about every broad and narrow corner of the U.S. market and some international markets are covered. As tools for just about any portfolio, ETFs not only instantly diversify holdings, they allow investors to fine-tune allocations, overweight or underweight market target specific sectors and hedge risk.

As exchanges in the U.S. (and worldwide) vie to list ETFs and attract volume, the American Stock Exchange (AMEX) may be the first player in the industry to help bring the so-called actively managed ETF to market. The AMEX has patented its actively managed ETF concept and is currently in talks with a large mutual fund company to create an active ETF.

As broad and multilayered as the ETF market is today — including fixed income, large-, mid- and small-cap, value and growth, sectors and industries and international — all currently traded ETFs passively track an index. There is, however, one group of indexes calculated and disseminated by the AMEX, called Intelledexes, which are one step closer to active management. These indexes have a unique valuation component embedded in them, and ETFs tracking them stand out because the indexes are designed to beat other benchmark indexes of the same market.

AVENUES FOR ACCESS

New channels, such as 401(k)s, stock reinvestment plans and wrap accounts, are also being developed to make ETFs more accessible to the investing public. At the same time, some ETF providers are strengthening established avenues, such as ETFs that can be bought as share classes of larger index funds.

Earlier this year Vanguard slashed its fees across a wide swath of its funds, and its VIPERs, the ETF share class of Vanguard's mutual funds, were no exception. Its 23 VIPERs currently on offer — covering sectors, broad markets, style and international — range from a low of 10 basis points (bps) for its total stock market (Ticker: VTI) and its large-cap (Ticker: VV) to a high of 30 bps for its emerging markets ETF.

"At 7 bps, you're moving into the realm of institutional pricing," says Noel Archard, principal of Vanguard VIPERs. With its new low fees, Vanguard has widened the expense ratio gap between VIPERs and other ETFs offering similar market exposure. In each market segment, VIPERs offer the lowest expense ratios.

Because VIPERs are share classes of larger portfolios, "whenever we deal with anything that touches the funds, such as custodians or trading firms, we're dealing in bulk," says Archard. This means that every VIPER has the economy of scale of the whole Vanguard Group behind it.

As an example, Archard points to the REIT (Real Estate Investment Trust) Viper (VNQ). This fund launched in September of last year at 18 bps, and about six months later Vanguard dropped its expense ratio down to 12 bps. (Of the four REIT ETFs available, VNQ has the lowest expense ratio, the lowest share price and comparable returns.) "It doesn't take much for the benefits to pass through to the funds," he says.

Every fund sponsor with ETFs in its arsenal has an online site designed to provide investors with in-depth information. Vanguard's site has been recently redesigned to make VIPER characteristics, including pricing and fund data, performance, distribution history and holdings, easier to access.

BE DIVERSIFIED

WITH ALL OUR MUTUAL FUND AND ETF CHOICES.

OVER 6,000 MUTUAL FUNDS
AND EVERY ETF SOLD
INCLUDING:



Vanguard



JANUS

Dreyfus
AMERLON INVESTMENT COMPANY

PIMCO
INVESTMENT MANAGEMENT

SPDR

THE DOW INDUSTRIALS
DIAMONDS

SELECT SECTOR
SPDRs
INVEST IN CONTROL

streetTRACKS

Start with our wide range of investment choices, then use our powerful online tools, research, and expert advisors¹ to select the right mix of investments for your portfolio.

Challenge the ordinary.

Be E*traordinary



E*TRADE
FINANCIAL

Get a 12-month Morningstar.com Premium Membership?
Call 1-800-731-5223 or visit etrade.com/superstore

You should consider the investment objectives, risks, charges and expenses of a mutual fund or exchange-traded fund carefully before investing. The fund's prospectus contains this and other important information. For a current prospectus, please visit www.etrade.com/mutualfunds or visit the Exchange-Traded Fund Center at www.etrade.com/etf. Read the prospectus carefully before investing.

1. The Investment Specialist Group provides advice on mutual funds, bonds, and asset allocation. Customers are required to complete additional forms and documentation in order to receive such services. Different commission structures may apply and in some cases may be less or more than the rates posted on the website.

2. Offer ends December 31, 2005. To qualify for this offer, a new E*TRADE Complete Investment Account must be opened by December 31, 2005 and new funds must be deposited or securities must be transferred within 30 days of opening the account. Other important terms and conditions apply. This \$124 subscription is being provided to you for educational purposes only. The content has been written by a third party not affiliated with E*TRADE FINANCIAL Corp. or any of its affiliates. No information contained on the Morningstar website has been endorsed or approved by E*TRADE Securities, and E*TRADE Securities is not responsible for the content. The subscription will terminate at the end of the 12-month trial. Morningstar is a registered trademark of Morningstar, Inc.

Securities products and services are offered by E*TRADE Securities LLC, Member NASD/SIPC.

© 2005 E*TRADE FINANCIAL Corp. All rights reserved.

E*TRADE ON TRADING ETFs ONLINE

Looking for a way to trade a low cost fund? E*TRADE has been quietly attracting long- and short-term investors to its ETF Center. And it's not just because it has low commission prices or because it provides unbiased market research at no additional cost.

The user-friendly site facilitates simple to complex ETF trades, including market orders, limit orders and short sales — all with a 2-second execution guarantee¹. E*TRADE's ETF tools, such as its cost analyzer (which compares similar ETFs or ETFs and mutual funds costs over time) or its allocation platform, allow customers to design and maintain their own portfolios. Those needing more assistance can access an Investment Specialist² to recommend a portfolio or customize one to meet their individual needs.

All of this means self-directed investors can make informed investment decisions and easily access, for example, performance statistics, portfolio composition, expense ratios and option information for any U.S.-traded ETF.

PLEASE READ THE IMPORTANT INFORMATION BELOW:

You should consider the investment objectives, risks, charges and expenses of an exchange-traded fund carefully before investing. The fund's prospectus contains this and other important information. For a current prospectus, please visit the Exchange-Traded Fund Center at www.etrade.com/etf. Read the prospectus carefully before investing.

1. Qualifying orders for the 2-second execution guarantee are limited to market orders to buy, sell or buy-to-cover from 100 to 500 shares of the stocks included in the S&P 500 Index and exchange-traded funds received between 9:45 a.m. and 3:59 p.m. For more details and information about the 2-second execution guarantee, please visit www.etrade.com/2secondguarantee.

2. The Investment Specialist Group provides advice to customers required to complete additional forms and documentation in order to receive such services. Different commission structures may apply and in some cases may be less or more than the rates posted on the Web site.

Securities products and services are offered by E*TRADE Securities LLC, Member NASD/SIPC.

System response and account access times may vary due to a variety of factors, including trading volumes, market conditions, system performance and other factors.

Advisors. In addition, Vanguard added a page geared toward advisors, featuring tools like asset allocation and fund comparison models, to help them build better client portfolios.

Most online sites — be they ETF sponsors or electronic trading platforms — offer a plethora of information about individual ETFs as well as robust tools to help individual investors design customized portfolios. The trading platforms, which are becoming increasingly more attractive, compete on price, ease of use and objectivity.

E*TRADE, for example, has seen a noticeable increase in interest in its ETF Center, which reflects an industry-wide trend, says Jarrett Lilien, president of E*TRADE FINANCIAL. Since E*TRADE's ETF site launched just two years ago, the company's ETF trading volume has been up dramatically. By the third quarter of 2005, ETF trading increased 206% compared with the same period last year.

One of the reasons why investors are attracted to E*TRADE's site is because it does not promote any one index product over another. E*TRADE provides the tools necessary for investors to decide which ETF (or mutual fund) covering the same market is best for their portfolio.

And often it just comes down to price. If investors are planning on holding their ETF for a set time, they have to compare the fees embedded in the mutual fund with the \$8 or so commission charged to buy the ETF. "Sometimes the answer is ETF, sometimes it's mutual fund," says Lilien.

When the answer is ETF, investors are often faced with a bewildering number of ETFs offering exposure to the same market segment. If, for example, investors are seeking to capture volatility in the energy sector, there are four ETFs to choose from: XLE, the Energy Select Spider, which tracks the S&P Energy Select Sector Index; IYE, an iShares product that tracks the Dow Jones U.S. energy sector index; VDE, Vanguard's energy product; and OIH, the Merrill Lynch oil service sector HOLDRs basket.

All four are fairly highly correlated, and trying to choose the right one can give investors a big headache. However, some of the tools available on sites like E*TRADE can make the decision process a lot easier.

Investors can access ETF-specific information, including performance, assets under management, portfolio composition, expense ratios, price and option availability. E*TRADE investors can quickly compare and contrast salient characteristics and choose the energy ETF best suited to their needs.

THE INNOVATION CONTINUES

Even though today's ETF palette offers infinite variety, new and innovative products such as an oil ETF, leveraged and inverse ETFs, a multiple currency ETF and a multiple commodity ETF — are constantly being submitted to the Securities and Exchange Commission. The ETF industry is challenging preconceived product limitations, and driving new products to market and into individual portfolios.

WEB DIRECTORY:

www.amex.com and www.midcapspdr.com

www.vanguard.com and www.advisors.vanguard.com

www.etrade.com



There are no maps to the sweet spot of the market. But we know a heck of a guide.

MidCap Spiders let you own the market's middle with just one trade.

You've built a portfolio with a solid blue chip foundation. Now you're considering more diversification and a different balance of upside potential and risk.

Meet the MidCap SPDR: A smart way to tap the potential of the sweet spot of the market. With every share, this exchange traded fund (ETF) represents the entire S&P MidCap 400, middle market companies that have matured to achieve \$1-4 billion in market cap. While mid-cap securities are subject to greater risk than large-caps, mid-cap companies are less volatile than companies in the often uncertain start-up phase.

MidCap SPDRs trade just like stocks throughout the trading day. So they're flexible enough to accommodate a range of investment strategies. And low fees make MidCap Spiders a cost-efficient way to invest. (Your usual brokerage commission applies.)

Want to learn more? Ask your advisor. And see if MidCap Spiders could be a sweet addition to your portfolio.

Over the last five years MidCap Spiders delivered a cumulative return of nearly 50%. Not bad for a middleweight.

And since inception, average annual total returns have been approximately 15%.

Average annual total return of MDY as of 6/30/05	One Year	Five Years	Ten Years	Since Inception
Based on NAV	13.99%	8.22%	14.24%	14.68%
Based on Market Price	14.22%	8.14%	14.19%	14.69%

Total returns are calculated quarterly using the daily 4:00 p.m. net asset value (NAV). Distributions, if any, are assumed to be reinvested back into the fund on the pay date at the NAV on that date. Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than quoted. The investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, are subject to market volatility. They may be worth more or less than their original cost. MDY shares are bought and sold at market price (not NAV) and are not individually redeemed from the fund. Brokerage commissions will reduce returns. To obtain most recent month-end performance, please call 1-800-THE AMEX or visit www.MidCapSPDR.com.

www.MidCapSPDR.com Ticker symbol Amex:MDY



An investor should consider investment objectives, risks, charges and expenses of the investment company carefully before investing. To obtain a prospectus, which contains this and other information, go to www.MidCapSPDR.com or call 1-800-THE AMEX. Please read the prospectus carefully before investing. Past performance is no guarantee of future results. S&P MidCap 400® and MidCap SPDR® are trademarks of The McGraw-Hill Companies, Inc., licensed for use by PDR Services LLC and American Stock Exchange LLC. MidCap SPDRs are not sponsored, endorsed, sold or promoted by Standard & Poor's and S&P makes no representation regarding the advisability of investing in MidCap SPDRs. ©2005 American Stock Exchange LLC. ALPS Distributors, Inc., a registered broker-dealer, is distributor for the MidCap SPDR Trust, a unit investment trust.

THE 1/8TH WONDER OF THE WORLD.



If you were to design the ideal fractional aircraft ownership program, what would it look like? It would offer the widest range of private jet types to meet your individual needs. It would have the largest fleet of aircraft, allowing you to travel on your schedule. It would have the most experienced and highly trained pilots. It would allow you to fly to the exacting standards everywhere in the world. It would have the commitment and financial resources to pursue the best in safety, service, and reliability. It would be NetJets.[®] With access to different aircraft types, over 500 jets, 250,000 flights per year to over 140 countries, and the backing of Berkshire Hathaway, the NetJets experience is difficult to replicate. Travel on your terms, talk to the leader.

1-877-356-0754 | www.netjets.com

NETJETS[®]
Leave nothing to chanceSM

FAR-FLUNG FABRICS

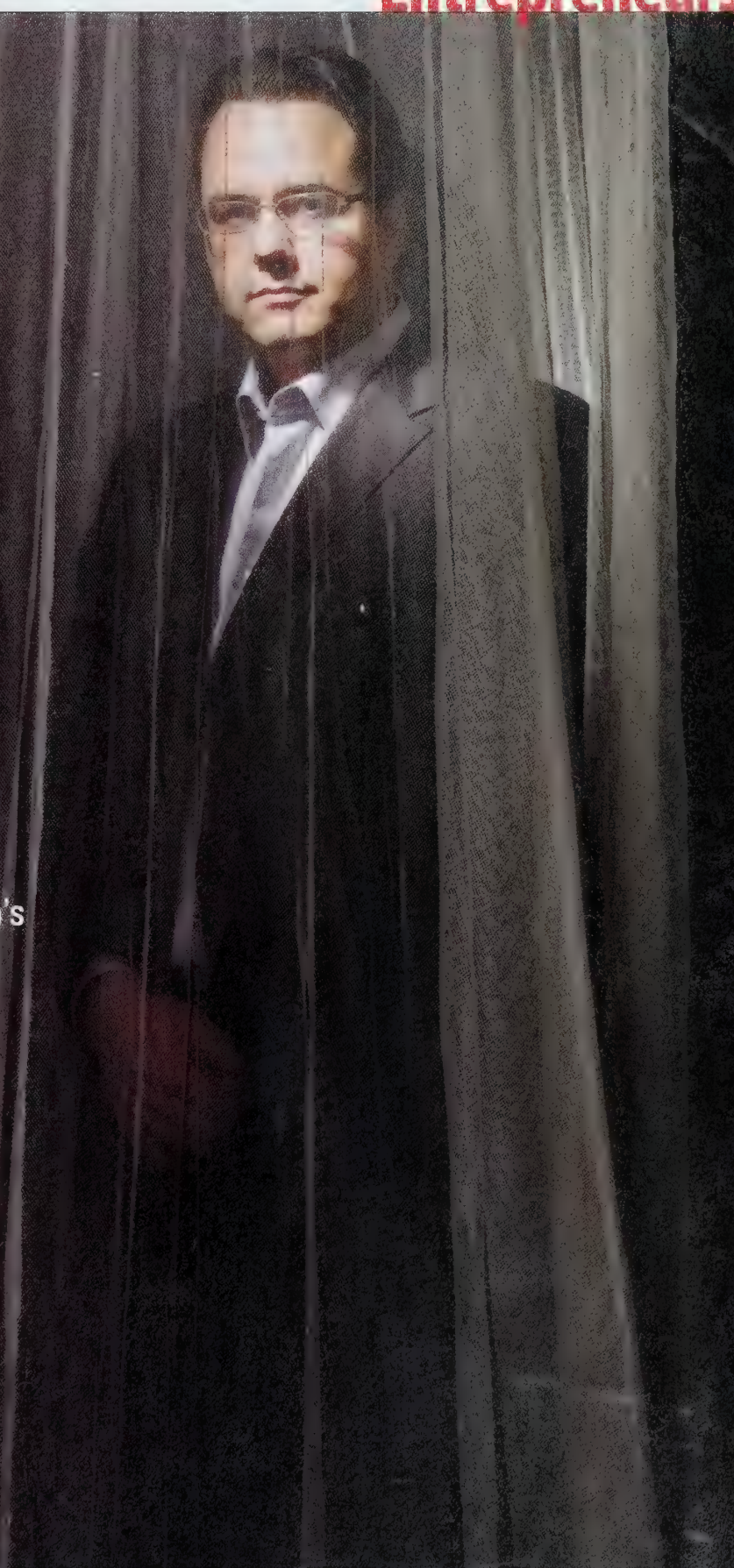
A Fine Mesh

Mikkel Vestergaard Frandsen's textiles make a good profit by doing good. But suppose the funding dries up?

By Michael Freedman

FOR THE MOMENT, AT LEAST, MIKKEL Vestergaard Frandsen's company is in the limelight, on the sixth floor of the Museum of Modern Art in Manhattan. Frandsen's textiles are on display alongside creations from avant-garde sculptors and industrial designers. An odd forum to show off mosquito nets, the leading product of Vestergaard Frandsen S.A. of Lausanne, Switzerland. But these fabrics are cleverly designed.

Each month factories in Vietnam and Thailand churn out 2 million nets for Vestergaard S.A., mainly for use in Africa to protect against malaria, which kills at least 1 million



children a year. The biggest customers for the nets are aid groups and other privately funded outfits, which distribute them free or at highly subsidized rates. Enough so that Vestergaard S.A. earned \$5 million pretax on sales of \$40 million this fiscal year.

But for how long? Interest in the cause, like malaria itself, comes and goes. Bill Gates, Bill Clinton and politicians from wealthy countries including the U.S. have all raised malaria's profile—and plenty of money—in recent years. Still, with AIDS and avian influenza on everyone's mind, that may not last. "What happens when the camera turns off?" Mikkel Vestergaard Frandsen wonders. "There is malaria hype in 2005. What about 2006?"

To reduce dependence on private funding, he is trying to create a commercial market for his nets in countries where citizens might be able to afford the \$4 retail price. In six African nations, including Ghana and Mali, Vestergaard S.A. has launched TV, radio and newspaper ad campaigns. Too soon to tell about results, but in Uganda sales of his PermaNet product jumped 20% after a month of televised ads.

It's a far leap from the company's roots. In 1950 Mikkel's paternal grandfather, Kaj, gave up the tedious and difficult life of a farmer in a small town in southern Denmark and went into business with a friend who owned four looms. The partners soon parted ways, but Kaj kept at it, selling fabrics for jacket linings and, later, weaving nylon for ladies' uniforms. By 1967 revenue hit \$250,000 (\$1.3 million in today's money), but when he fell ill in 1970, he was happy to relinquish control to his son, Torben.

Over the next couple of decades the company realized that the textiles industry in high-cost western Europe was doomed. But what to do? A production move to then low-cost Ireland failed because Torben set up shop in an area that lacked any kind of textile industry or infrastructure. He soon shut down there. While a shift to Poland in 1989 helped Torben survive, his big break came in 1990 when a friend mentioned that 1 million yards of an extremely fine fabric once used for military uniforms were squirreled away in various locations around Sweden. It was completely out of fashion—and

cheap—and Torben found it could be thickened and softened by ripping the fibers (a process called raising), then cutting the fabric into strips and turning it into blankets. He enlisted his older son, Mikkel, to help sell the blankets to groups like the Red Cross and Save the Children.

Mikkel had entrepreneurial ambitions of his own—and had already hacked it in some of the world's toughest markets. After graduating from the Danish equivalent of high school, he traveled throughout the Middle East and Africa and started a business in Nigeria importing used trucks, buses and engines. A military coup sent him packing, and in 1992 he joined his dad, making deals with aid groups; by 1994 such sales had outgrown the rest of the business. Mikkel figured that true growth lay in



Africa and the rest of the developing world. So in 1995 he moved to Nairobi to set up a sales and logistics center. From there Vestergaard S.A. covered operations in what became 19 countries and serviced refugee camps in Tanzania, Sudan and Somalia.

Meantime, father and son were trying to sort out responsibilities. As Torben remembers it, he was ready to loosen the reins. Mikkel, now 33, says his dad found it difficult to let go. "The change in generation always looks very rosy from the outside," Mikkel recalls. "But there is a lot of negotiation." A couple of tense years culminated in an agreement in 1997. With revenue at \$5.5 million, they set up two parallel businesses: Torben sold women's uniforms; Mikkel, humanitarian textiles. Gradually Mikkel's business bought an 85% stake in his father's company for an undisclosed sum, folding it into his own (and eventually dumping women's

clothes). The remainder would be owned by employees, and his father stayed on as director of development. But in scrapping the long-standing board of directors, Mikkel essentially fired his grandmother and younger brother, replacing them with more seasoned professionals.

As business grew, so did competition, especially from textilemakers in India, Pakistan and China, all vying for the same tenders for aid supplies on the Internet. Mikkel focused on R&D, inventing new products like PermaNet, which consists of plain mesh netting impregnated with deltamethrin, an insecticide that repels mosquitos and lasts for years (most other nets can only withstand a few washings). The World Health Organization credits PermaNet and similar products with reducing mortality rates among children 25% to 30%. Another new product, ZeroFly, plastic sheeting that contains insecticide to protect against mosquito-borne malaria and diarrhea transmitted by houseflies and is used to provide temporary shelter after large-scale disasters, natural or man-made.

The company has landed eight patents for its technologies. Largely a result of these innovations, revenue hit \$15 million by 2003. Today Vestergaard S.A. invests 8% of revenue in R&D; 30 of the 80 employees in a dozen

cities investigate new products. One promising innovation, overseen by Torben, is the reusable, \$3 to \$4 LifeStraw, introduced earlier this year, which removes bacteria such as salmonella and staphylococcus from surface water in rivers and lakes, making it potable. The 10-inch-long, 1-inch-in-diameter device is made of a patented resin that kills bacteria on contact; it includes filters that remove particles of up to 15 microns and has activated carbon, which kills parasites. How well does it work? Earlier this year Torben appeared on a Danish TV news program demonstrating how the LifeStraw can be used to drink out of a Copenhagen lake, a salt-water canal and a toilet.

Mikkel has not paid an appreciable dividend to his shareholders—namely to employees and himself—in years, choosing instead to plow profits back into production. That works, as long as do-gooder organizations keep coming up with the money. ■

BMW M5



The Ultimate
Driving Machine®

Q1+Q2+Q3+Q4 = M5



This year you've earned a performance bonus. Introducing the new M5, with a BMW Formula 1 derived, V-10 engine. Equipped with 500-horsepower, an astonishingly high 8,250 rpm redline, and the world's first 7-speed sequential (SMG) gearbox, the naturally aspirated M5 rockets to 60 mph in just 4.5 seconds.* And you thought you posted impressive numbers.

BMW AG test results. Actual acceleration results may vary, depending on specification of vehicle, road and environmental conditions, testing procedures and driving style. These results should be used for comparison only and verification should not be attempted on public roads. BMW urges you to obey all posted speed laws and always wear safety belts. ©2005 BMW of North America, LLC. The BMW name and logo are registered trademarks.

SPEED THE NEW X FACTOR

Consumers want newer, snazzier versions of electronic goods faster than ever before. Producers have come up with speedier ways to get the goods to market | By Kerry A. Dolan

A DECADE AGO DELL SPENT 18 MONTHS developing the Latitude C series notebook computer. It stayed in Dell's catalog for the same length of time it spent in development. Last year Dell unveiled the Inspiron 700m notebook. Development time: 9 months.

Nokia introduced its 5100 series mobile phones in 1998 and sold tens of millions of them over five years, changing only the color of the phone. Last fall Nokia debuted its "fashion" line, phones intended to be sold for only 12 months or so.

Apple Computer launched the iPod in October 2001. Over the next two years the company put out six new models. But in just this year alone Apple has pushed eight new iPod models into the marketplace.

Planned obsolescence has fallen under the sway of Moore's Law. Consumers now expect swift and regular upgrades and makeovers of just about every electronic product out there. But this hamster wheel of innovation—especially when it's tied to getting a gadget out for the holiday buying crush—puts manufacturers in an almost impossible position. "The average mobile phone is still several hundred components. What makes them interesting for the consumer is more and more of a design challenge for the producer," says Thomas Deitrich, vice president for mobile communications at Flextronics International, which makes phones for Motorola, Kyocera and Sony Ericsson.

The speediest companies have developed a bag of tricks to accelerate product development. Dell has shifted much of its component design work—laptop screens, optical drives—to supplier partners, typically Taiwanese firms such as Quanta, Compal Electronics and Inventec. "We're not home-growing every single thing," says Gretchen Miller, Dell's director of mar-



keting for laptops and handheld gadgets.

Three years ago Hewlett-Packard moved much of its engineering and testing for notebooks to Taipei to be closer to these suppliers, and it has cut its development time in the product line from 12 months to 6 months. That eliminated communication lags and delays in U.S. customs, says Thomas Mitchell, vice president of HP's consumer notebook business unit.

Flextronics has shrunk its mobile phone development time from 12 to 18 months five years ago to as little as 3 months today. In 1995 it took between 12 and 16 weeks to create the injection mold tooling for the plastic on the front cover of a phone. Each step—from initial artists' renderings on paper to the turning of a hunk of steel into the properly shaped mold—was independent of the others. The steps are now linked via software, so it can take as little as a week to make a mold. Rival contract manufacturer Sanmina-SCI has made a similar transition.

Few cases better illustrate the speed-to-market trend than that of the Playaway, a digital audio book player conceived in August 2004 and designed and produced at breakneck pace to make this year's holiday season. Christopher Celeste, Mitch F. Kroll and Blake Squires, partners at fledgling firm Findaway in Chagrin Falls, Ohio, figured there was a market for a digital device preloaded with an entire audio book for people not used to downloading. Half the thickness of a deck of cards, the Playaway looks like a mini hardcover and sells for the same price as a CD audio book (\$35 to \$50).

Thirteen months later more than 75,000 units were shipped to the warehouses of Borders, Barnes & Noble and OfficeMax. Celeste claims \$2.5 million in revenue from this first shipment. Wal-Mart has the item in 100 stores.

The partners were not experienced gadgetmakers, but the



Ready, set, go: Findaway's
Kroll, Squires and Celeste;
the Playaway (opposite).



Thousands of Possibilities

Show your technology who's boss.

Informational videos. Updates on the latest products.

99¢ movie downloads for your laptop.

visit www.BestBuyInsider.com



close enough and were eager to tap the iPod-created for digital audio. Celeste, the son of former Ohio governor Richard Celeste, had worked in e-commerce and advertising. Kroll had manufacturing experience with a hair products company, and Squires had run a streaming media company.

Findaway was able to replicate the tactics of the giants: Outsource almost everything, use foreign suppliers and cut every cost where necessary to get out early. "Everyone told us we were involved in something that was impossible, from finished design to out-the-door in nine months. We kept pointing to the name on our business cards," says 40-year-old Celeste.

The race began in August 2004 with the filing of two patents. The partners raised money from private investors and budgeted \$1 million to get through the manufacturing stage. Findaway hired a Columbus, Ohio design firm in October to develop a prototype, and a month later it brought the design to complete the design. Findaway then put the design out to bid with several contract manufacturers, including Sanmina-SCI and Flextronics.

People warned the Findaway partners that they would spend extra for rush jobs. But the tight schedule saved them money by forcing them to cut projects they didn't have time for. Ideo did two focus groups with consumers, showing them a computer simulation of how the Playaway would work. If time and money hadn't been such big issues, the Findaway partners might have done one or more additional focus groups with physical prototypes. Ideo, which normally takes six to nine months for a job, finished the industrial design in 12 weeks.

By January the Findaway partners took their prototype to the big Consumer Electronics Show in Las Vegas to meet with their potential contract manufacturers. A few weeks later they chose Sanmina-SCI because it was unafraid of working with a small company and was willing to do short manufacturing runs, one Playaway book title at a time. Ideo continued to refine the design to shave time and time, changing the controls on the player from a smooth-surface membrane to the more commonplace rubberized buttons that stick up through the plastic. That cut 45 cents off the cost of the device.

Sanmina-SCI committed to produce, package and deliver the Playaway to retailers' distribution warehouses by late September. George King, who runs the company's printed circuit board assembly, directed the development work to six operation centers, including one in Calgary, Alta. for the plastics and tooling work, one in Phoenix for printed circuit board layout and one in Huntsville, Ala. for test development. He chose to assemble the Playaway in Guadalajara, Mexico, even though it would have been cheaper to do it in China. Guadalajara can ship to the U.S. faster and is in the central U.S. time zone, better for the three to take daily phone calls he'd later make.

In February Findaway's Celeste worked his father's connections to score a meeting with a buyer at Borders. With a verbal okay from the chain, Findaway rounded up audio book rights to what eventually became a list of 33 titles from six publishers, including *The Da Vinci Code* and David McCullough's *1776*.

By June Sanmina-SCI had the first 20 units ready for the testing and software group in Huntsville. On July 8 Sanmina-SCI began construction of factory space for Findaway in its Guadalajara plant. In mid-August, just before manufacturing was to begin, Sanmina-SCI's testers turned up a problem. Carpet static would make the Playaway reset to chapter one. King's engineers determined the problem was caused by the metal in the earbuds. He had to fly in a load of all-plastic earbuds from Asia the last week of August.

Another glitch occurred when the Guadalajara factory started to load multiple Playaways at once with the audio book content. Loading a single player had worked fine during tests in Huntsville. But the cradle that held eight units for simultaneous downloads wasn't getting enough voltage. The Huntsville test group had to fly in and fix it.

The lack of time to do extensive preproduction testing came back to hurt Findaway. Software crashes forced programmers to rewrite the device's software. LCD screens didn't always work, so they had to add product testers to the production line. Only one out of three custom labels went on as designed. They had to shrink each label by one-one-thousandth of an inch.

The Findaway folks had hoped to fly the machine that made the Playaway's casing from Taiwan to Guadalajara. But they were running out of time. Instead, they had 50,000 casings made in Taiwan and, without knowing if they were usable, flew them to Guadalajara—an added, unexpected cost. Luckily, the casings snapped together.

The original plan had called for making 5,000 units a day. On Sept. 15, the second full day of production, Sanmina-SCI made 1,728. In the next week Sanmina-SCI added 1,000 square feet of space, doubled the workers per shift to 30 and added weekend shifts. But the assembly line that

fit the Playaway, earbuds and lanyard into the retail package was too slow. Its rate of 1,000 Playaways per day never would have met the late-September deadline. Sanmina-SCI took down walls to make more room to improve the work flow. The rate shot up to 6,000 a day. On Sept. 30 the first truck left Guadalajara with 56,000 Playaways, headed to Borders' warehouses in California and Tennessee.

Findaway is already gearing up for the next iteration. In November the partners were back at the drawing board with ideas for better volume controls and battery doors. Sanmina-SCI's King has an 18-item checklist to make next year's Playaway even better, while cutting costs by 25%. **F**



Ever Faster

Companies now develop consumer electronics in far less time.

DELL NOTEBOOK

10 YEARS AGO
18 months
LAST YEAR
9 months

CELL PHONE

5 YEARS AGO
12-18 months
NOW
3-6 months

IPOD

FIRST 6 VERSIONS
2 years
LATEST 8
8 months

PLAYAWAY

FROM IDEA
TO PRODUCTION
13 months





from locally networked computers running iTunes. So remote receivers, arriving early in 2006 for \$200, will give you a way to stream Musica's collection to other audio systems around the house.

Getting music out of Musica is a bit trickier; the folks at Olive seem to have strange ideas about copy protection. Though you can copy music from it to an iPod, the only music you can copy from it directly to a networked computer is what you've created from analog sources. The only other way to get copies out is to burn them to standard (not MP3) CDs. Worse, the unit can't play copy-protected files like the ones you might buy or subscribe to from an online music service, and it can't play Windows Media files of any kind. Software updates may eventually change that.

Sound of Musica

THINK THE 60 GIGABYTE HARD DRIVE IN YOUR \$400 IPOD is the greatest thing in music storage? An outfit called Olive Media Products will give you a whopping 160 gigs in a device it calls Musica. But it costs \$1,100 and won't fit in your pocket.

You might want it anyway. Musica, like its \$900, 80-gig sister, Symphony, adds lots of digital tricks, not to mention between 6,000 and 40,000 songs, to your home audio system. And it's meant to live there, since it looks and sounds like real audio equipment. There's no fan in the box, so only the hard drive and the CD player can make noise—and they generally don't.

There are more ways to get music into the machine than you might suspect. While Musica plays a CD, it can rip the songs to the hard drive in formats of varying quality and compression, from decent MP3 to no-compromise lossless FLAC. No time for ripping? Send Olive the discs and the company will do the job for you—for a limited time, free. You can also play your iPod or other portable music player through Musica's USB port (though you can't copy music from the iPod directly). Musica can also make digital copies from analog sources such as cassette decks and turntables, complete with the hiss and crackle you remember from the originals.

Though Musica was designed to be networked, it can work on its own; its built-in database can recognize artist and track information for 2 million albums. But this box really sings when it's connected, by wire or wireless. Tapped into the Internet, it can grab a wider range of album information, play Web radio stations and update its internal software. Over a local network you can edit album information from any computer with a Web browser, copy music files from your PC or Mac (though the process is incredibly clunky) and even stream non-copy-protected music to and

Musica can play tunes from iPods, PCs, Net radio stations and its own CD and hard drive—but not protected songs you buy online.

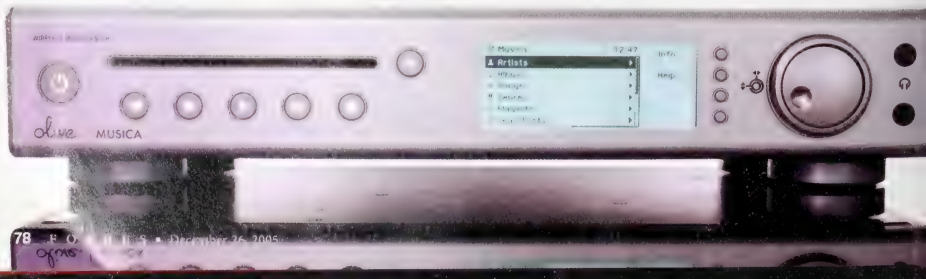
remote of the Sonos Digital Music System (FORBES, Mar. 28).

Classical music fans may want to opt for Olive's cheaper Symphony model, which comes with an intriguing cataloging system that organizes classical pieces better than most music databases. Big collectors take note: The only way to add lots of storage is to use Olive disc drives that aren't yet available.

Of course, if you don't care about networking, your music on CD and you don't mind doing data entry or finding lots of room in a cabinet, you can buy a 400-disc CD jukebox for around \$200—or, for \$300 or so, a model that will also handle DVDs and multichannel audio discs. And you can always connect any iPod to a home music system with a \$10 cable. But Musica, despite its quirks and limitations, joins the Sonos and the Roku SoundBridge as a reasonable way of bringing digital harmony to your listening room.



Stephen Manes (steve@eranky.com) is cohost of *PC World's Digital Duo*, which appears weekly on public television. Visit his home page at www.forbes.com/manes.





**I checked my e-mail after
I finished the conference call.
I replied to the office back
in the States**

AND
**we raced, my usual run
becoming anything but.**

Who says you can't have both work AND life?

With the new BlackBerry 7105i™ from T-Mobile, take advantage of the world's largest all-GSM network. It's a quad-band world phone that lets you call, e-mail, and access the Internet overseas. And, you get one phone number, with reasonable rates and no hidden fees. It's the only way to take care of work and life when you're out of the country. Find out more at www.t-mobile.com or call 1.800.TMOBILE.



T-Mobile

Get more from life™

BlackBerry

Customer Satisfaction With Business Wireless Service™

THE OTHER IBM

IBM BUSINESS CONSULTING

HOW DO WE MAKE SURE INNOVATION
DOESN'T ONLY HAPPEN IN R&D?

IBM

Innovation

Power In Your Hands

Portable gadgets are getting thirstier. The batteries that run them are straining to deliver the juice | By David Armstrong



ow-
ions
nar-
bank
ms,"
dent

f the
clays
orre-
and
ck at
l for

ense

(as-
vell-
icu-
ere's
edit

half
nue
.3%
nk's
oup

(Please turn the page for our special Innovation gatefold.)



from locally networked computers running iTunes. Some remote receivers, arriving early in 2006 for \$200, will give you a way to stream Musica's collection to other audio systems around the house.

Getting music out of Musica is a bit trickier; the folks at Olive seem to have strange ideas about copy protection. Though you can copy music from it to an iPod, the only music you can copy from it directly to a networked computer is what you've created from analog sources. The only other way to get copies out is to burn them to standard (not MP3) CDs. Worse, the unit can't play copy-protected files like the ones you might buy or subscribe to from an online music service, and it can't play Windows Media files of any kind. Software updates may eventually change that.

Sound of Musica

THINK THE 60 GIGABYTE HARD DRIVE IN YOUR \$400 IPOD is the greatest thing in music storage? An outfit called Olive Media Products will give you a whopping 160 gigs in a device it calls Musica. But it costs \$1,100 and won't fit in your pocket.

You might want it anyway. Musica, like its \$900, 80-gig sister, Symphony, adds lots of digital tricks, not to mention between 6,000 and 40,000 songs, to your home audio system. And it's meant to live there, since it looks and sounds like real audio equipment. There's no fan in the box, so only the hard drive and the CD player can make noise—and they generally don't.

There are more ways to get music into the machine than you might suspect. While Musica plays a CD, it can rip the songs to the hard drive in formats of varying quality and compression, from decent MP3 to no-compromise lossless FLAC. No time for ripping? Send Olive the discs and the company will do the job for you—for a limited time, free. You can also play your iPod or other portable music player through Musica's USB port (though you can't copy music from the iPod directly). Musica can also make digital copies from analog sources such as cassette decks and turntables, complete with the hiss and crackle you remember from the originals.

Though Musica was designed to be networked, it can work on its own; its built-in database can recognize artist and track information for 2 million albums. But this box really sings when it's connected, by wire or wireless. Tapped into the Internet, it can grab a wider range of album information, play Web radio stations and update its internal software. Over a local network you can edit album information from any computer with a Web browser, copy music files from your PC or Mac (though the process is incredibly clunky) and even stream non-copy-protected music to and

Musica can play tunes from iPods, PCs, Net radio stations and its own CD and hard drive—but not protected songs you buy online.

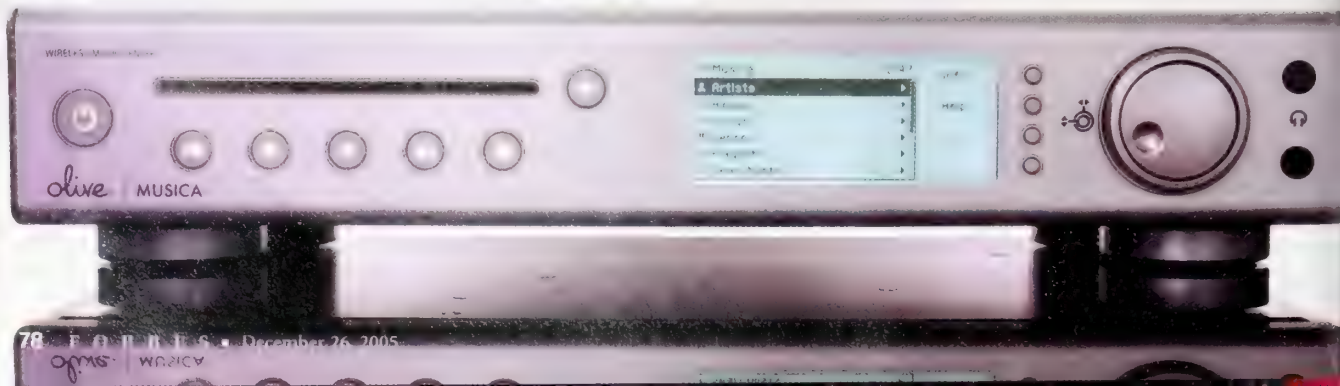
remote of the Sonos Digital Music System (FORBES, Mar. 28).

Classical music fans may want to opt for Olive's cheap Symphony model, which comes with an intriguing cataloging system that organizes classical pieces better than most music databases. Big collectors take note: The only way to add local storage is to use Olive disc drives that aren't yet available.

Of course, if you don't care about networking, your music on CD and you don't mind doing data entry or finding lots of room in a cabinet, you can buy a 400-disc CD jukebox for around \$200—or, for \$300 or so, a model that will also handle DVDs and multichannel audio discs. And you can always connect any iPod to a home music system with a \$10 cable. But Musica, despite its quirks and limitations, joins the Sonos and the Roku SoundBridge as a reasonable way of bringing digital harmony to your listening room.



Stephen Manes (steve@cranky.com) is cohost of *PC World's Digital Duo*, which appears weekly on public television. Visit his home page at www.forbes.com/manes.





**I checked my e-mail after
I finished the conference call.
I replied to the office back
in the States
AND
we raced, my usual run
becoming anything but.**

Who says you can't have both work AND life?

With the new BlackBerry 7105t™ from T-Mobile, take advantage of the world's largest all-GSM network. It's a quad-band world phone that lets you call, e-mail, and access the Internet overseas. And, you get one phone number, with reasonable rates and no hidden fees. It's the only way to take care of work and life when you're out of the country. Find out more at www.t-mobile.com or call 1.800.TMOBILE.



T-Mobile

Get more from life™

BlackBerry



or Satisfaction With Business Wireless Service™

THE OTHER IBM

IBM BUSINESS CONSULTING

HOW DO WE MAKE SURE INNOVATION
DOESN'T ONLY HAPPEN IN R&D?

IBM

Innovation

Power In Your Hands

Portable gadgets are getting thirstier. The batteries that run them are straining to deliver the juice | By David Armstrong



ow-
ions
nar-
bank
ms,"
dent

f the
clays
orre-
and
ck at
l for

ense

(as-
vell-
icu-
ere's
redit

half
nue
.3%
nk's
oup

(Please turn the page for our special Innovation gatefold.)

Innovation

HOW
BUR

HOW
UNC

HOW
A ST

HC
DC

Acted by NanoMarkets to be \$2.6
12.
and in a decade (or longer) we co
divent of nuclear batteries that
arge your phone's own battery
e of electrons from the radio
of the hydrogen isotope tritium
Berrys, have nuclear batteries now provide pow
ments in the space probes. But a Houston s
recharges—but BetaBatt has teamed with resear
for portable po Rochester Institute of Technol
according to the work on a tritium battery that

Our wirelestory, last 12 years—that is, if th
thing but. “Who succumb first to radiation p
Sadoway, a proetaBatt Chief Executive Larry Ga
reigning battehat radiation won't be a proble
Institute of Teof paper is shielding enough. I
time hunched des considerable p.r. issues m
like we've prided.

the Bibles are the science behind the \$48 billion
Intel's power s battery industry is little changed
“We've pushed cars since Alessandro Volta first
it can go.” icity off a stack of cardboard

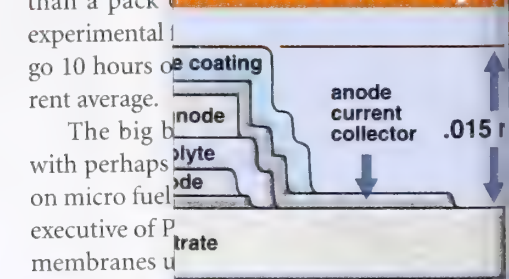
Maybe not in a brine of zinc and silver. T
55, one of a clm ion rechargeables still use a v
plenty of poteof a positive cathode separated f
He and his cve anode by a liquid or gel elect
materials to pectrolyte solution is especially se
able li-ion batducting ions between the cathod
long betweenode. The drawback is that these
Companies suive electrolytes force battery mak
in Reno, Nev. gid protective enclosures and s
are using nanog microchips to enable the batte
li-ion batteriesut the charges and keep from ex
lives. Sadowayring recharges.

bigger researching around a box of clunky
cells, the samles in a room near his MIT office,
for their hydrodoway pulls out what looks lik
trade show in of blue cellophane taped toge
MP3 player tlthe size of a credit card. It is an
charges, the “c

of methanol i
than a pack
experimental
go 10 hours
rent average.

The big b
with perhaps
on micro fuel
executive of P
membranes u
the typical o
ing the first s
the second ha
are moving
ive electrolyte (purple).
ment.” The n

Thin-Film Solid Polym



attery is thinner than a hair but still
ideas of Alessandro Volta. Positive
light gray) create a charge by passi
ve electrolyte (purple).

Choose Your Juice

y	 Reusable alkaline
Wh (wh/kg) ¹	80
Cost	\$5
Comments	Suitable for lower-power uses like flashlights and radios. Too heavy for most gadgets.

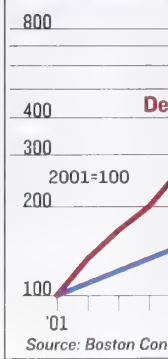
¹Wh for watt hour per kilogram. Sources: Isidor Buchman

pe of his SlimCell battery and power-gh to energize a transistor radio. SlimCell does away with Volta's 200-l liquid chemistry by using flexible, extremely thin solid laminates that can be manufactured cheaply, rolled up into a molded right into a handheld device, to change the image of a battery.

inking soda cans. nking potato-chip says Sadoway. d-state, paper-thin s have been an ed goal of indus- decade. Chemists such as 3M strug- find a solid that ts ions with the a liquid or gel. In -1990s Sadoway, a an metallurgist s spent his entire teaching at MIT, arching with his s for ways to air pollution in Los Angeles. One idea, tric cars, but a lithium ion battery of needed doesn't make any sense, as it require its own cooling system and, 't work well in extreme climates. ctrolytes, as elusive as they seemed, e far lighter, safer and more versatile. ipped the problem to MIT materials, t Anne Mayes, who suggested a

Demand

If left unchecked, demands of power will dramatically increase.



Source: Boston Consulting Group

nths later it an-ly abandoning its s also have to get methanol. After nufacturers, an ernational Civil hich regulates air mber to begin ssengers to carry icro fuel cells ol cartridges in mmercial aircraft, tored in checked He, reple already over- lithize of a fuel car- nol works best at concentration, require a tank of hies bigger than a oshiba claims to this problem by 6 methanol solu- ating it with the uct from the fuel ver, smaller pack- ethanol fuel cells boratory, 1,500 er kilogram. in November tment in Tekion, C. fuel cell manu- se fuel is formic ne acid red ants ey bite into flesh. e is that it is less han methanol. De goal would be fuel cartridges," oltsberg, director Ventures. "You'd l." on believer like way, all these ars going to fuel ay money better re viable, non- technologies. "If ow we are spend- n research, it's bust," he says. cans given up on e put that money, we'd have bet-

F

THE OTHER IBM

IBM BUSINESS CONSULTING

ow-ions nar-bank ms," dent f the clays orre-and ck at l for ense (as-vell-icu-ere's edit half nue .3% nk's oup



Rattling china: **CHIEF EXECUTIVE**
OSWALD GRUBEL pounds the
value for unity.

The Thunder of... Grübel

Switzerland's fractious Credit Suisse Group was carried through scandal by its private bank. Now its accident-prone investment bank, CSFB, must prove itself | By Richard C. Morais

AFTER JAN. 1 THERE ARE NO EXCUSES ANYMORE," says Credit Suisse's chief executive, Oswald Grübel, spearing a slab of beef in a private dining room of the Westin Hotel in Shanghai. Even the chinaware in the room seems to tremble as Grübel's basso profundo rolls threateningly across the room: "Managers can no longer blame the other business units, because [from January on] they are all in one bank. That's when you can't pay lip service to [the integrated bank], you actually have to deliver it. Every day."

The new year brings the official opening of Credit Suisse's "one bank" top-to-bottom remake. Long-suffering investors hope this is the dawn of a new era at Switzerland's \$45 billion (2005 revenue) mainstay, long plagued by scandals and erratic earnings. The strategy of the press-shy Grübel, in his position for 18 months: Produce above-market returns by making CS's notoriously independent investment bankers, private bankers and asset managers finally work together. At least \$6 billion in net income by 2007, Grübel has promised investors.

"Have we been cross-selling between the private bank and the investment bank?" says Richard Thornburgh, the Credit Suisse First Boston veteran now on the executive board of directors. "No. Part of our performance gap was because we are not doing what our competition is doing."

That won't be as easy as it sounds. Credit Suisse has historically been divided not only between its aloof Swiss private bankers and table-thumping American investment bankers but

Forbes

DECEMBER 26, 2005

also by the self-serving and powerful cabals within the divisions that were rewarded on their narrow P&L responsibilities. "A bank with a lot of warring fiefdoms," says Simon Adamson, an analyst in London for the independent research house CreditSights.

In 2001, for example, a strutting 34-year-old Master of the Universe walked 40 bond specialists from CSFB over to Barclays Capital. It was during the final days of the piggy era that corresponded with Allen Wheat's rule at the investment bank, and within 24 hours Wheat had most of the fixed-income 40 back at CSFB. Their deal: a percentage of pretax profits, guaranteed for multiple years.

Will the no-nonsense Grübel be able to smack some sense into this playground?

Before we answer that, some history. The \$1.1 trillion (assets) Credit Suisse is overshadowed by its much revered and well-run Swiss rival, the \$2.1 trillion UBS, and Americans, in particular, tend to know it only for its fabled investment bank. But here's the lesser-known—and perhaps more important—story: Credit Suisse is arguably the world's most successful private bank.

Credit Suisse's private bank, accounting for just under half the group's \$4.3 billion net profit last year, pulls in net revenue (fees plus interest income minus interest expense) equal to 1.3% of assets under management, to UBS's 1%. The CS private bank's net income is 0.48% of assets. The Boston Consulting Group

says that's well above the 0.3% more typical for offshore private banks, and leagues above the 0.2% produced by the private-client arms of firms like Merrill Lynch. "Credit Suisse has had much better performance vis-à-vis UBS, and it shows up in the margins," says Sebastian Dovey, managing partner at Scorpio Partnership, consultant in London for private banks.

Why? CS's private bank, the world's third-largest wealth manager by assets after UBS and Merrill Lynch, has both a reputation for well-timed advice and a flair for creating unusual financial products (see box, opposite). In 1999 CS was, for example, the first to advertise "open architecture" to its private banking customers; only 225 of the 2,500 funds it sells today are CS or affiliated company products. It was also early to create certificates with returns pegged to funds of hedge funds so that private clients with \$500,000 to \$10 million to invest, not just the ultrawealthy, could trade in alternative investments. Today CS uniquely offers daily liquidity on 400 such hedge fund certificates.

In the words of a Merrill Lynch analyst (whose own firm is, of course, not a disinterested party) CS's reputation as a product innovator attracts clients who are much "younger, more sophisticated, more dynamic, more market-savvy" than the clients found at UBS; as a result they are more likely to turn over their portfolios and create bank income. "Our commissions are not more expensive than our competitors'," confirms Walter Berchtold, head of CS's private banking. "We've just been much better keeping value in-house." The concept, then, is to boast of openness but still keep the shelves well stocked with house products. One innovative item: a five-year commodity-linked bond whose quarterly return is capped at 8% but is guaranteed to pay off at least at par.

Now jump to the end of the 1990s, when the league-topping Credit Suisse First Boston went off the rails. The \$11.5 billion Donaldson, Lufkin & Jenrette acquisition in 2000 was disastrously at the market top. Worse still: CSFB was knee-deep in the nastiest scandals of the era, everything from compromised research to new-issue malpractice. Bad boy Frank Quattrone, the bank's tech booster, was eventually found guilty of obstruct-

"Commissions are no higher than our competitors'. We've just been much better at keeping value in-house."

ing justice. (His conviction is on appeal.) CS's \$1.1 billion litigation reserve today covers sore spots like Enron. "Risk management was out of control," concedes Walter Kielholz, CS Group's chairman.

To be fair, not all CS's problems of the day came from the investment bank. Managers in Zurich at that time had a mushy notion they were going to create a European-style "bancassurance" and spent \$11.1 billion buying Winterthur Insurance in 1997. Another millstone. When Winterthur sold assets to XL Insurance of Bermuda in 2001, the transaction included guarantees. As we go to press, those obligations add up to a \$550 million hole in Winterthur's pocket.

So Credit Suisse's market cap fell 76%, to \$23 billion between the summer of 2000 and the fall of 2002. The Swiss bank ended the year with a \$3.4 billion loss, and the press publicly speculated about a Credit Suisse demise. Rattled clients pulled their accounts. "We found out how it impacts your business when your reputation is put into question," says Grubel. In its darkest hour, however, CS's low-key private bank delivered \$900 million net profit, the only unit among seven that was hemorrhaging.

CS's board was jolted into action, and Kielholz, the Swiss veteran who'd been brought in as chairman, appointed two chief executives in 2003. John Mack—of Morgan Stanley fame—was told to save the investment bank; the Credit Suisse warhorse, Grubel, was to clean up the rest. "We had to stop the bleeding," says Kielholz. "At the time I thought that operational improvements were so all-important that I could live with a dual CEO structure for a while."

So "Mack the Knife" cut costs at CSFB and quickly turned \$970 million net loss into an \$830 million net profit. But Mack believed, as a next step, the investment bank had to bulk up, and he pushed Zurich to merge with a European competitor; a deal with Deutsche Bank was floated in the press. Kielholz and the board—peering over the tram turnaround in Zurich where bo-

Welcome all ye wealthy: Walter Berchtold runs the private bank.

Face-Off

In a snapshot at the end of the third quarter, Credit Suisse was getting more out of its assets than its crosstown rival.

Credit Suisse	UBS
ASSETS	
\$1.09 trillion	\$2.07 trillion
NET INCOME	
\$3.7 billion	\$5.8 billion
RETURN ON ASSETS	
0.34%	0.28%

For first nine months of 2005. Sources: UBS and CS third-quarter results.



Switzerland's leading banks have their headquarters—ought they should, instead, emulate UBS's hugely successful "one bank" strategy ahead of another megadeal.

By July 2004 Mack was out, and "Ossie" Gröbel was made sole chief executive. Gröbel was born in what became East Germany and orphaned as a baby when both his parents died toward the end of World War II. In 1953 his aging grand-

mother, seeing the Iron Curtain fall, sent the 10-year-old Gröbel to live with his aunt and uncle near Frankfurt. "Growing up with relatives is not something I would recommend," he says dryly. But Gröbel's dying grandfather had left him sage advice: "Boy, you have to make some money. Better go to a bank. They always have money."

So banking became Gröbel's ticket out. He started at Deutsche Bank in 1960 but in the ensuing decades held key trading and investment banking posts with Credit Suisse in Zurich and London. In the late 1990s Gröbel made his name by radically restructuring the way CS's private bank did business. But getting the CS Group to run as an integrated whole is a far more difficult assignment. Even a figure like John Mack has had trouble controlling Credit Suisse's prima donnas. When he needed a face-to-face with Silicon Valley's Quattrone, for example, the New York chief executive had to meet him halfway, in Kansas City, Mo.

And Gröbel's rough-edged interpersonal skills—he once famously berated a *Financial Times* journalist during a press conference—seem in many ways ill suited to tackling such a monumental task. The drooping eyelids, the mournful demeanor suggest more funeral director than worldly banker. But spend time with Gröbel and the German's sly wit and intelligence quickly grow on you. "Some have trouble digesting his emotional gaps," says a high-ranking Swiss competitor who used to work with Gröbel. "But he has a special management style, and he has always been able to surround himself with very capable people" who are not put off by his abrupt manner.

So, bit by bit, this unlikely character has pulled off a CS first: senior managers singing from the same hymn book. CS's Europe, Middle East and Africa chairman, Michael Philipp, says he came out of retirement because he is a "total believer" in Kielholz and Gröbel's vision of an integrated bank; Jeremy Marshall, head of private banking in Britain, boasts he and his

This Week's Special: Oil Bonds

Credit Suisse's three-year Bull Certificate on Brent Crude was a \$1.5 billion issue launched in October 2004. The 1,000-euro (\$1,170) bond is a 5-to-1 play on oil prices rising. The maturity value of the note is 1,000 euros plus 5 times the percentage gains in oil prices over the period, with a one-for-one loss exposure only below a set floor price more than a third below where oil was when the bond was sold. If the oil price sinks but not below the floor, the holders are guaranteed that they will get back the full 1,000 euros. Fourteen months into the specu-

lation the bond has appreciated to 2,270 euros.

Such timely products are what maintained the reputation of Credit Suisse's private bank when the rest of the Swiss bank was mired. In 1999 and 2000, for example, Oswald Gröbel—then running the private bank—vehemently urged his clients to get out of equities and into hedge funds. That astute call helped him eventually secure the top job, and today Gröbel's investment committee issues weekly calls that are a must-read for the bank's clients.

So we asked Gröbel to tell us what tomorrow will bring. After all,

hedge funds are well into their decline and the run-up in oil was last year's smart play. "Arbitrage between the regulatory risk of institutions and the risk tolerance of individuals," says Credit Suisse's chief executive. The post-Enron explosion of accounting regulations—such as Fin46R, the disclosure of off-balance-sheet liabilities—is, he says, creating a new breed of alternative investments.

Last year, for example, Credit Suisse launched a "Stability Note," also priced in 1,000-euro denominations, that pays 1% above Libor until its maturity in May 2006. But if the DJ Euro

Stoxx50 Index falls more than 20% in a single day, then, for every 1% drop beyond the 20% fall in the index, investors lose 5% of their principal. They are, in effect, underwriting catastrophe insurance for the financial sector. Claims are unlikely—the biggest one-day drop in the index was 7.9% on Black Monday in 1987—but a 40% one-day move would wipe out the value of the bond.

Good timing again. The note came out in May 2004, just as Libor was shooting up, and so far there hasn't been a stock market meltdown. —R.C.M.

Invest your IRA in funds with proven performance.

Discover why more and more investors are switching to T. Rowe Price



Just a few of our low-cost funds that are highly rated by Morningstar:

100% No-Load Funds	Morningstar Rating™*	1 Year	5 Year	10 Year
Capital Appreciation Fund (PRWCX)	★★★★★	12.92%	12.80%	12.52%
Dividend Growth Fund (PRDGX)	★★★★	10.98%	2.97%	9.25%
Equity Income Fund (PRFDX)	★★★★	12.08%	7.39%	10.88%
Personal Strategy Growth Fund (TRSGX)	★★★★★	15.30%	5.29%	10.06%
Value Fund (TRVLX)	★★★★	13.70%	7.58%	11.87%
	As of 10/31/05		As of 9/30/05	

Current performance may be lower or higher than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. To obtain the most recent month-end performance, call us or visit our Web site. Request a prospectus or a briefer profile; each includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing. All mutual funds are subject to market risk, including possible loss of principal.

The Overall Morningstar Rating™ is derived from a weighted average of the performance figures associated with a fund's 3-, 5-, and 10-year (if applicable) Morningstar Rating™ metrics. Capital Appreciation received an overall Morningstar rating among 704, 704, 528, and 220 moderate allocation funds; Dividend Growth and Personal Strategy Growth received overall Morningstar ratings among 1,237, 1,237, 938, and 327 large blend funds; and Equity Income and Value received overall Morningstar ratings among 861, 861, 572, and 269 large value funds for the overall rating and the 3-, 5-, and 10-year (if applicable) periods ended 10/31/05, respectively. Ratings are based on risk-adjusted performance.

At T. Rowe Price, we have a wide range of funds that have earned 4- or 5-star ratings from Morningstar for their risk-adjusted performance. Our active, hands-on approach to investing is just one of the reasons our funds have performed so well over time. And we continue to keep costs low, with over 60 funds that have no loads, no sales charges, and expense ratios below their Morningstar category averages.

Visit our Web site or call today. Our Investment Guidance Specialists can help you choose a fund for your IRA investment that's right for your goals and tolerance for risk. If you want, we can help you open an account right over the phone.

To move an existing IRA to T. Rowe Price, use our new **EasyTransfer IRA Service**. It makes it simpler than ever to put T. Rowe Price's investment approach to work for your retirement savings.

ira.troweprice.com | 1.866.349.5886



For funds with at least a 3-year history, a Morningstar Rating™ is based on a risk-adjusted return measure (including the effects of the sales charges, loads, and redemption fees, with emphasis on downward variations and consistent performance). The top 10% of funds in each category receive 5 stars, the next 22.5% 4 stars, the next 35% 3 stars, the next 22.5% 2 stars, and the bottom 10% 1 star. Each share class is counted as a fraction of one fund within this scale and rated separately. Morningstar Rating™ is for the retail share class only; other classes may have different performance characteristics. Capital Appreciation and Personal Strategy Growth received 5 stars for the 3-, 5-, and 10-year periods. Dividend Growth and Equity Income received 3, 4, and 4 stars for the 3-, 5-, and 10-year periods, respectively. Value received 4 stars for the 3-, 5-, and 10-year periods.

© 2005 Morningstar, Inc. All Rights Reserved. The information contained herein (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. T. Rowe Price Investment Services, Inc., Distributor.

IRA072751

investment banking colleagues in London are the "test tube" of how it should work. "I keep on telling Ossie I want Asia Pacific to be the beta site for the 'one bank' concept," counters Paul Calello, chief executive of CS's Asia Pacific operations. "The one-bank model is most appropriate for this region."

Getting this commitment to the integrated bank to flow all the way down the pyramid is Grübel's next big challenge. Philipp met earlier this year with the bank's French executives to hear their three-year budget plans. That night, at the Bristol Hotel in Paris, he pointedly told these skeptics their ambitions for consolidated selling and cost-cutting were far too modest.

In planning is a bonus scheme for 2006 that will reward star bankers on the group's overall results, not just on their individual performance. "It's absolutely key to align everyone's interests," says the private bank boss, Berchtold. "We can't have a culture where the private banker doesn't call the investment banker because he thinks the guy is going to grab all the revenue." Earlier this year a CSFB banker was parachuted into the private bank to help an Egyptian client who owned a mobile phone company and wanted to get some cash out of his concentrated stock position. The private bankers and investment bankers, working together, used derivatives and debt to extract cash without selling the stock.

Luckily, buoyant markets are coming to Grübel's aid. In the

"There is astonishingly little detail as to what the one-bank concept coming at us actually means."

third quarter Credit Suisse reported a 30% increase in net revenue to \$12 billion and net income, at \$1.4 billion, was up 42%. In December the long-running dispute between XL Insurance and CS's Winterthur Insurance will get settled, which will allow Grübel to spin off Winterthur Insurance likely in 2006. (The insurance company is currently valued at around \$1 billion.) New CS Group accounts that boil down to the bank's complicated over-

lapping units to three simple businesses—private banking, investment banking and asset management—will be presented in the new year, as will a branding exercise officially announcing the "new" CS bank. Investors are coming around: CS's historic discount to UBS has been eliminated; both companies now trade between 13 and 14 times trailing earnings.

If there is resistance to Grübel, it's likely to show up at the investment bank. In July 2004 Grübel replaced the larger-than-life Mack with a politically astute toiler, Brady Dougan. A year ago Dougan announced the investment bank would not try to play every field but would focus on the key areas—namely, issues, mergers, leveraged finance and derivatives—that could also support the bank's asset-management and private banking arms.

"The one-bank concept is coming at us from everywhere but there is astonishingly little detail as to what it actually means," counters a CSFB banker in London. "A lot of the investment bankers are here because of First Boston, and if [senior managers] dilute that [draw] too much in their ambition to create one bank, then they risk another wave of departures."

If Dougan is unloved by his bankers 18 months into the job, he can point to some gains: Thomson Financial's rankings for the first nine months of 2005 has CSFB reclaiming the title of the world's biggest new-issue underwriter. (Although it did get ensnared again—in the Refco scandal.) This fall CSFB managed the \$8 billion China Construction Bank offering, the largest since 2001.

Elsewhere, however, CSFB's results are less impressive: It is fifth (counting fees on completed deals) in M&A and fifth in junk bond underwriting. The investment bank continues to lose market share under Dougan: CSFB's \$1.2 billion in imputed fees for all global debt, equity and equity-related transactions through Sept. 30 has pushed the Swiss bank down to a 5% share of the market and a global ranking of ninth. Dougan has told Grübel the investment bank will deliver \$2.3 billion in net income by 2007. "We're on track," he says coolly.

In his Zurich quarters Grübel's bass rumbles expectantly. "We'll know by the middle of next year whether the investment bank can deliver on its promises."

Swiss Flag Rising

When it comes to managing their wealth, Americans prefer hard-driving broker-dealers, like Merrill Lynch, and they've never really acquired a taste for Swiss-style private banking. That's why Credit Suisse closed its ailing private banks in the U.S. in 1998 and UBS only seriously cracked the U.S. market when it acquired PaineWebber in 2000.

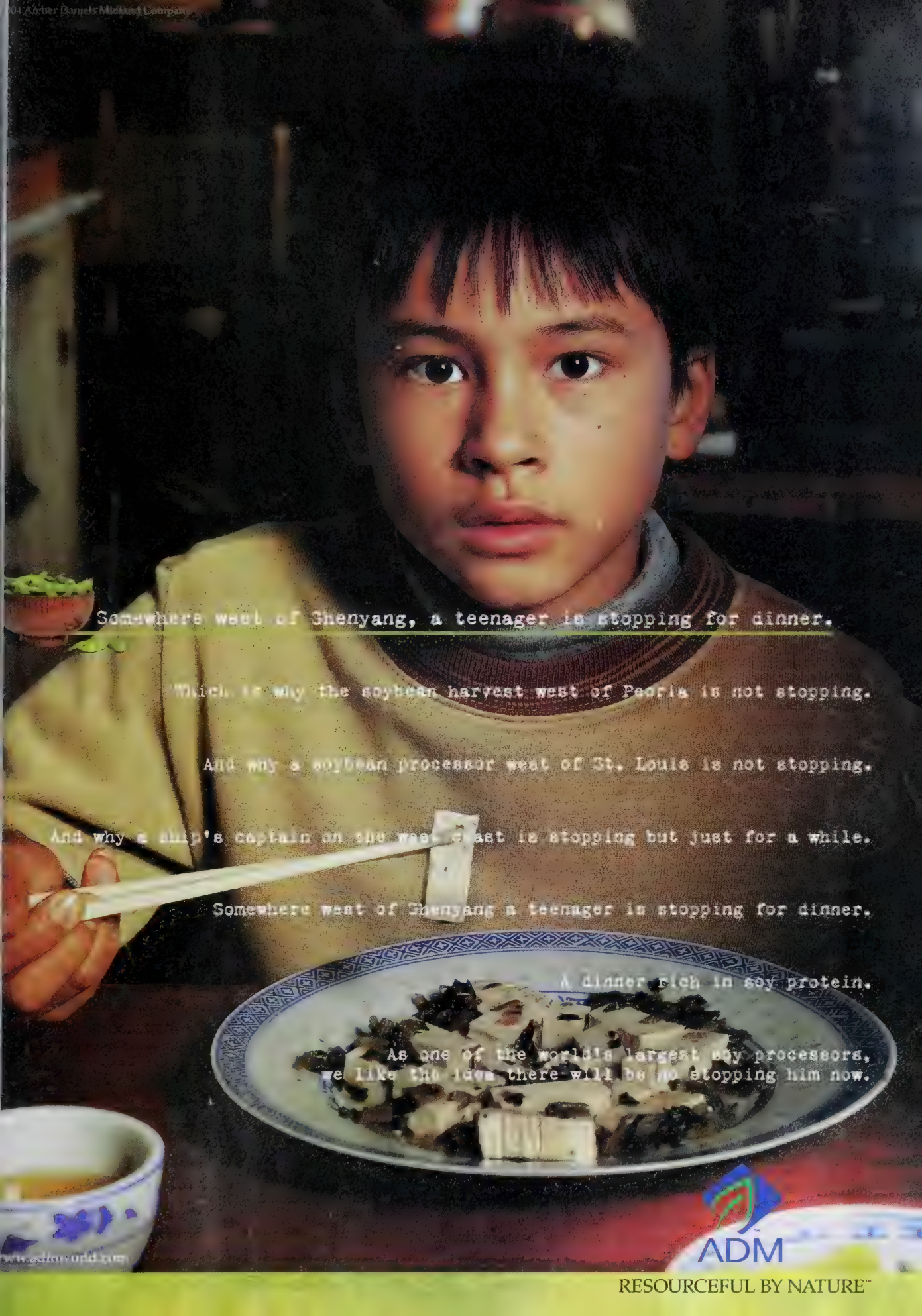
But Americans got a good look at the dark side of broker-dealers during the dot-com bubble, and Credit Suisse thinks the time is right to again raise its private banking flag in the U.S. Last March the Swiss hired Gary Neuser, a Merrill Lynch and UBS veteran, to rebuild its private bank with prominent American families sitting on a \$10 trillion pool of investable assets.

Credit Suisse's 245 private relationship managers in the U.S. brought in "several billion dollars in net new assets" during the first nine months of 2005, claims Neuser. Meanwhile, a newly created division is going after the \$500 billion or so that ultra-

wealthy Latin Americans park in the U.S., their favorite offshore banking center. He says: "If you are in Bolivia or Colombia and make a lot of money, your first two thoughts are, 'Get it out of here,' followed by 'Where do I take it?'"

We asked Neuser whether his American clients with \$10 million-plus to invest will appreciate Grübel's one-bank theme. Getting hustled by investment bankers to sell or buy a block of shares is not a thing the ultra-wealthy take kindly to, and it undermines the bank's "open architecture" appeal.

Neuser argues that an integrated bank, with good internal communication, is actually much less likely to alienate well-heeled clients. That's because the lead relationship manager holds the reins. "If a client gets a cold call at 7:30 at night from an investment banker and no one knows about it, that's what gets people annoyed," says Neuser. "An institution full of silos and limited communication is much more likely to trip over itself." —R.C.M.



Somewhere west of Ghenyang, a teenager is stopping for dinner.

Which is why the soybean harvest west of Peoria is not stopping.

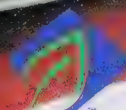
And why a soybean processor west of St. Louis is not stopping.

And why a ship's captain on the west coast is stopping but just for a while.

Somewhere west of Ghenyang a teenager is stopping for dinner.

A dinner rich in soy protein.

As one of the world's largest soy processors,
we like the idea there will be no stopping him now.



MICHAEL LAUER WAS NEARLY PENNILESS WHEN he came to America. He dabbled in the restaurant business, then drove a cab to put himself through school. Two decades later he was running a hedge fund, impressing the rich and famous with a sixth sense of when stocks were about to move and a confident air that suggested he knew things others did not. Sotheby's ex-boss, Alfred Taubman, invested, as did the Dayton family (of department store fame) and Britney Spears. Hundreds of millions flowed in, and Lauer indulged himself—a house in Greenwich, Conn., a Mercedes racecar worth \$1.5 million and a Cessna plane.

But the Securities & Exchange Commission says that Lauer, the 50-year-old head of Lancer Group, built his new life on a pack of lies. Dozens of investors have filed suits. And as this story went to press, Lauer was about to defend himself against contempt-of-court charges for failing to hand over documents and show up to a deposition. That could land him behind bars even before the SEC civil trial begins.

Lauer says he can't hire a lawyer to fight his myriad foes because he doesn't have the money. The feds have frozen much of his personal property—all before he's uttered a word in his defense to a jury. His plane has been sold. The Mercedes sits in a Florida warehouse awaiting the highest bidder. The house has a lien on it. Meanwhile, the receiver charged with liquidating his fund has raised \$30 mil-

lion so far—but taken \$10 million out of that in fees. A trial date hasn't even been scheduled, despite the fact it has been more than a half year since his business was shut down.

"I'm worse off today than when I came to this country," Lauer says. "At least I had my reputation then."

The SEC says Lauer hatched a "devious plot" to fool investors into thinking he had produced big gains so that he could pocket tens of millions of dollars in performance fees. It alleges Lauer goosed the thinly traded shares of "virtually worthless" companies by buying tiny amounts at large premiums to their current

A Prickly Hedge

The feds say Michael Lauer built his \$1.2 billion hedge fund on deceit and lies. But two and a half years after they shut him down, he still hasn't gone to trial | By Bernard Condon



—then assigned those oddball values to vast stakes bought earlier at a fraction of the cost. It says Lauer even once claimed profits on stocks he did not own.

All this adds up to what may prove to be one of the biggest fund frauds ever: Portfolios that drew \$613 million from investors, net of redemptions, and were once valued by Lauer at \$2 billion, shriveled to \$70 million, if a filing last month with a U.S. District Court in Miami holds true. That means \$543 million in cash has vaporized.

"You have worthless companies valued at hundreds of millions of dollars," says Christopher Martin, an SEC lawyer. "It's black and white."

Lauer's answer: If the case were such a slam dunk, he would have been brought to trial by now. He says the real story is that the SEC is stumbling, specifically over two words: "absolute discretion." Investors approved contracts giving him just such a license in valuing illiquid shares. As the agency pursues its new, self-appointed role as hedge fund cop, he predicts, similar language at other funds is sure to trip it up.

"How is the SEC going to acquit itself with all these valuation idiosyncrasies?" he asks. "It's an impossibility."

Lauer says it is the feds that lost millions for his investors by setting off a "short-selling frenzy" when the biggest of his three funds was seized in July 2003. A crucial question for a future jury: Was Lauer a victim of government overreach, as he asserts, or a charlatan who set out to cheat his investors? Or something in between—a swaggering money man who, trusting too much in his magic touch, just made some bad bets?

Lauer's family lived successively in Lvov, Ukraine; Kraków; and Vienna before moving to New York in 1971. He put himself through Columbia University driving a cab at night—a "top tier," he says. Behind the wheel he discovered an instinct for finding where others weren't. "It's all game theory," he says. "It's what other people are doing and why."

He trained as a Marine, left, went to business school, then

got an introduction to the head of Oppenheimer & Co. through a friend of his mom's. In 1980 he took a job there as a technology analyst.

He quickly made a name for himself with what colleagues called the "Lauer estimate," setting earnings targets way above or below those of other analysts. He always seemed to have the skinny on a stock. He began wearing fancy suits and racing sports cars. Rumors spread that he had once worked for the CIA. (He says he never did.) Adding to the mystique: his unusual accent, a curious mix of German, Russian and Polish—a "certificate of worldliness" is the way Lauer describes it.

A former colleague describes the Lauer phenomenon this way: "The swagger, the lack of analysis, all this bull. He went with the hot story, the whisper. He'd change his voice. He was bringing you in on a secret." Says another, "People would look at his work and say, 'Damn! That was a good idea.' He wasn't a flimflam artist. He was the real deal."

In 1988 he jumped to Kidder Peabody. Prescient calls on big defense stocks earned him a place on *Institutional Investor* magazine's list of best analysts for each of the next six years. But he was more drawn to "orphans" and "fallen angels"—companies either too small for analysts to write a report about or too tarnished to merit a good one.

Lauer started hedge fund Lancer Partners in 1993, then Lancer Offshore (incorporated in the British Virgin Islands) two years later. (He also ran two smaller portfolios that eventually combined to form the OmniFund.) His reports to limited partners showed a blazing start: 91% and 118% in returns for its first two years versus the S&P's 6% and 1%.

As do many fund managers, Lauer insisted on keeping his holdings secret. SEC filings, though, paint a partial picture. He bought a 7% stake in defense contractor Tech-Sym in 1996, soon after former Magellan Fund star Jeffrey Vinik had unloaded. He also seems to have had a big appetite for unregistered shares. These can't be sold for a year or two and so can



be picked up in private deals at a discount to regular shares.

In March 2000 the stock market plunged. In April Lauer made some curious trades that raised SEC suspicions. He bought 1.7 million unregistered shares at 23 cents apiece in a company with no operations called SMX, according to broker reports. Then at the end of the month he bought 2,800 publicly traded shares at \$19.50 and valued all his holdings—registered and unregistered—near that price. On Dec. 29, the last trading day of the year, he bought 1,000 shares at \$27—up \$13 from the start of the month and \$7 more than he himself had paid that very afternoon. His Offshore fund held 5.7 million shares, nearly all restricted, and some warrants. No matter. The SEC says he used \$27 to value all his SMX holdings, yielding \$189 million in total, an 8,000% increase over his cost.

Offshore's books were audited by PricewaterhouseCoopers.

Lauer told the auditor that SMX was "involved in the marketing and sale" of Nascar products, but SMX had yet to buy the Nascar licensee that would allow it to do so, according to a receiver suit against PWC. The auditor ended up approving the valuation in 2000 anyway. A year later the licensee purchase had fallen through and SMX shares were down. Lauer cut his valuation 30%. But PWC was still bothered enough to place a call.

"If I have to stand in court and somebody asks me, 'Did you look at the financial statements and how can you value a company of that kind?' what should I say?" a PWC partner asked.

PWC also demanded an appraisal of ten companies, including SMX, whose financials it did not believe supported Lauer's valuations. Four of the ten had operating losses; another four didn't even have operating revenue; the remaining two were barely surviving. In any event PWC ended up receiving a report on only four—written by a Florida firm that, it turned out, was either a shareholder in or provided directors to all of them. PWC signed off on the 2001 valuations anyway.

"There were a billion companies with no revenue that were valued at very high prices," Lauer says. "This was the era of irrational exuberance."

Of the six companies that PWC never got a report on, two were especially dubious: Fidelity First, a mortgage bank with \$100,000 in revenue, and Lighthouse Fast Ferry. Two minutes before trading closed on Dec. 31, 2001 Lauer bought at least 9,000 shares of Fidelity First—more than half the stock that traded that day—at \$3, or 50% more than the last reported price, according to the SEC. Lauer assigned the new price to all his shares. The result: a \$120 million stake in his Offshore fund, up \$40 million in two minutes.

As for Lighthouse, Lauer would end up buying on the last trading day in each of eight months that year, often minutes before the close and at a price sometimes a third or more higher

than the last trade or bid. By the end of 2001 he had driven shares from 90 cents to \$1.90—helping to produce a paper gain of \$11 million for his funds, the SEC says. Lighthouse would all figure in a kickback fraud committed by Bruce Cowen, a Lauer consultant, who eventually sang to the feds about Lauer's trading. In exchange Cowen got a reduced sentence of 24 months.

Lauer says he had nothing to do with Cowen's trading scheme. He says that a witness in the case testified that he, Lauer, had turned down an offer to manipulate Lighthouse stock. Lauer points out that illiquid issues often draw bids and asks far apart, and that using bid-up stock prices to value all your holdings is not in itself illegal. What's more, he says the SEC got the value of his shareholdings wrong and that he often discounted paper gains when calculating his fee anyway. But if he had chosen to write them up instead, he hastens to add, that was well within his rights. That's because of those two words: absolute discretion.

"What is illegal relevant to the contract?" Lauer explodes. "How does that violate the contract?"

In June 2002 PWC approved the previous year's results but noted in its annual letter to Lauer's investors that the \$827 million value ascribed to the Offshore fund, most of it paper gains, was all based on Lauer estimates. PWC, which is being sued by 86 investors in a private complaint, says it is "fully defending" itself.

In September 2002 the *New York Post*'s Christopher Byron wrote the first of a series of articles questioning Lauer's valuations. By the end of the year investors with stakes ostensibly worth \$200 million were clamoring for their money back. But Lauer had taken so much cash out in fees for himself in the three years through 2002—\$44 million—that he couldn't cover even a fraction of the redemptions, the SEC says. Lauer points out that two-thirds of that pay was for work in the 1990s. He says that he deferred nearly all of the remainder

holding it instead as shares in his funds.

In July 2003 the SEC filed a suit with 1,800 pages of exhibits and requested that the U.S. District Court in Fort Lauderdale freeze Lauer's assets and appoint a receiver for his funds. That receiver, Martin Steinberg of law firm Hunton & Williams, has since compiled a list of 15 companies in which Lauer owned stakes of 5% or more—stakes for which he should have filed 13D-3s but did not. Lauer says his lawyers were in charge of the filings.

The SEC originally expected a trial in spring 2004; now it says it's not sure when one might start. Part of the problem is bad luck: The first two judges hearing the case dropped out after reorganizing their workloads. Lauer himself has played a part in the delay of justice. He has filed numerous, and voluminous, petitions with that court—to change the venue to New York, to stop the receiver from selling shares and, of course, to rant at the SEC, which he refers to in one filing as standing for "Sees Everything Crooked." He says he will be vindicated.



The man at Le Mans: Lauer racing cars in France in 2000.

The epitome of.



THE NEW RANGE ROVER SUPERCHARGED





Toyota's Onslaught

THIS IS THE YEAR OF HURRICANE KATRINA; IN THE CAR business 2006 will be the year of Hurricane Toyota. Expect a storm of vehicles with potential to do incredible damage, and not just to General Motors and Ford. Honda and Nissan could be hurt, and the smaller Japanese companies—Subaru, Mazda, Isuzu, Suzuki, Mitsubishi—are particularly vulnerable because they don't have the marketing power to fight back. Even the Germans could be hurt. The new vehicles I'm talking about are coming out in the next 12 months, but we'll see their effect in 2007. Indeed, by the end of 2007 Toyota could pass DaimlerChrysler and even be challenging Ford as the second-largest seller of cars in the U.S.

Toyota will expand its manufacturing capacity here even more. Right now one new Toyota assembly plant is being built in Texas for big pickup trucks. Another will be built in Canada for sport utilities. The automaker says it needs more engine and transmission capacity, and I expect that by 2007 there will be another assembly plant announcement. Will Toyota take over one of the plants General Motors or Ford is abandoning? Why should it, when governments will give any car company hundreds of millions in tax breaks, construction help and employee training, to build new plants?

Of course I could be overestimating Toyota's potential. All these new Toyotas, or some of them, might arrive with a thud. Maybe the dollar will fall to 100 yen, where it belongs, instead of the 119 it's worth now; an overvalued dollar, of course, makes yen-priced products like cars and car parts too cheap, giving Japan an enormous advantage. Maybe the new cars will cannibalize sales of the older vehicles. Maybe the new General Motors cars and trucks will surprise us with their glamour and sales appeal. Yes, it's possible. But get long odds if you are going to bet against Toyota.

Look at the lineup coming over the next 12 months.

All shapes and sizes:
Yaris (left) and the FJ.



- A new RAV4. That's the original little SUV; but this one, due soon, grows long enough for a third seat row and heat enough to warrant an optional V-6 at 269hp as an alternative to the 166hp four-cylinder engine. Toyota sells 70,000 of the old RAV4s a year. I figure Toyota will double that number with these new vehicles. This will squeeze Honda's CR-V and Ford Escape, maybe even the Jeep Liberty.

- The Yaris. This is a small, high-mileage car, sold in Europe and Japan now. There will be a two-door hatchback only 135 inches long. That is shorter than it sounds—only 6 inches longer than the BMW Mini. Toyota will also have a four-door sedan of more normal length, at 14 feet. Small cars have not done well in America. Toyota's last, the Echo, was no success. But the Big Three of Japan—Toyota, Nissan and Honda—are tossing these small cars into the market next year. The Yaris will come out first in the spring. Maybe the gasoline price shock of 2005 will spur their sales. Figure 70,000 full-year sales for this new Toyota, conservatively.

- A new Camry, out this spring. The Camry, built in Kentucky, is America's bestselling car, at 400,000 or so units this year. But the car testers at *Motor Trend* and *Car and Driver* rate it behind Honda's Accord, Ford's new Fusion and even Hyundai's Sonata. I expect big improvements next year, including a six-cylinder engine delivering extra horsepower, to help Toyota hold to its number one spot.

- A Camry hybrid. Coming next fall, the bestselling car gets a hybrid version with a four-cylinder gasoline engine plus the electric motor. Mileage could top 40 per gallon. Maybe 40,000 added sales.

- The FJ. A new SUV with a military Hummer-like look but normal size and normal price, probably in the \$25,000-and-under territory. Likely to be very popular, maybe 50,000 full-year sales. Comes in the spring.

- A new Tundra pickup, and a new plant, too, next fall. I figure this will add 150,000 sales here in 2007.

Together this comes to 400,000 in added sales, and I'm not counting the Lexus division, which just added new IS model and has new cars coming next year, such as the ES sedan, a new LS luxury model and a hybrid GS luxury model.

I figure Toyota has the potential for adding 2.5 to 3 percentage points of market share, pushing the company past 16%. By then Toyota also could be the number one car builder in the world, but I think what happens in the American market is more important. It's still where our jobs are, and it's where the profits are.

You think things are tough *now* for the Big Three?

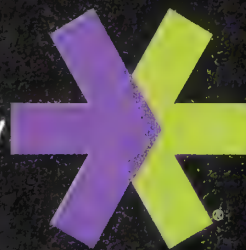


Jerry Flint, a former Forbes Senior Editor, has covered the automobile industry since 1958. Visit his home page at www.forbes.com/flint.

BE YOUR BROKER'S WORST NIGHTMARE. ASK THEM ABOUT US.

Challenge the ordinary.

Be E*traordinary



	YOUR BROKERAGE	
LOWEST COST STOCK INDEX FUNDS¹	YES	?
EXCLUSIVE ALL-STAR LIST OF LEADING MUTUAL FUNDS²	YES	?
FREE EXCLUSIVE CASH OPTIMIZER³	YES	?
\$6.99-\$9.99 TRADE PRICING FOR ACTIVE TRADERS⁴	YES	?

4.10% APY
E*TRADE Bank
Money Market Account
for three full months⁵

**E*TRADE
FINANCIAL[®]**

Call 1-800-398-7854 or visit etrade.com/switchtoday

should consider the investment objectives, risk, charges, and expenses of a mutual fund carefully before investing. The fund's prospectus contains and other important information. For a current prospectus, please visit etrade.com/mutualfunds. Read the prospectus carefully before investing.

important information and details about the lowest-cost E*TRADE Index Funds, please visit etradeindexfunds.etrade.com. As commissioned by E*TRADE Asset Management, Inc., determined that the E*TRADE Index Funds had the lowest effective expenses as of October 3, 2005 by comparing them to other Pure Index Funds in the same Lipper Investment Categories/objective, while excluding institutional and other mutual funds requiring minimum investments of \$100,000 or more and exchange-traded funds. The E*TRADE Index Funds are the lowest because they are contractually limited through April 30, 2006. There is no assurance that the expense limits will continue beyond April 30, 2006.

Funds selected for the All-Star List are selected from the no-load, no-transaction fee mutual funds offered through E*TRADE Securities.

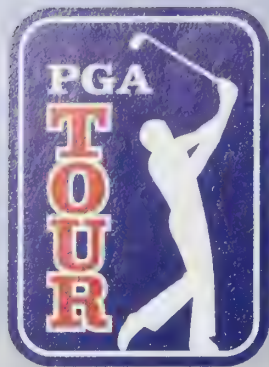
Intelligent Cash Optimizer is a unique, dynamic cash management modeling tool that illustrates the earnings potential for uninvested cash and is available to all customers with \$100 or more in combined E*TRADE Securities and E*TRADE Bank accounts assets or who make 10 or more stock and options trades per month (average 30 per quarter).

To qualify for \$6.99 stock and options commissions and \$0.75 fee per options contract, you must execute 500 or more stock or options trades per month. To qualify for \$7.99 stock and options commissions and \$0.75 fee per options contract, you must execute 50-499 stock or options trades per month. To qualify for \$9.99 stock and options commissions and \$0.75 fee per options contract, you must execute 10-49 stock or options trades per month or maintain a balance of \$50,000 or more in combined E*TRADE Securities and E*TRADE Bank accounts during a calendar quarter. Qualification will be determined at the end of each quarter. To continue receiving these commission rates, you must requalify by maintaining a balance of \$50,000 or more in combined E*TRADE Securities and E*TRADE Bank accounts or by making at least 30 stock or options trades by the end of the following calendar quarter.

Equal Percentage Yield (APY) of 4.10% is good for 90 days from the date the account is opened and funded. Accounts must be opened by December 15, 2005 to qualify. This offer is only for new E*TRADE Money Market Account customers and for existing Money Market account customers who transfer at least \$25,000 in new funds from an external (i.e., non-E*TRADE) bank into their existing E*TRADE Money Market Account. E*TRADE Bank retains the right to withdraw the 4.10% introductory APY from any account at any time if these conditions are not met or apply to one new account per customer. A \$100 minimum deposit is required to open a new E*TRADE Money Market Account and account holders must maintain a minimum monthly balance of \$1,000, or \$5,000 in total E*TRADE Bank deposits, by the end of their second statement cycle to avoid a \$10 monthly fee. This fee is waived for customers who make 10 or more stock or options trades per month (30 per quarter) or who maintain at least \$50,000 in combined E*TRADE Securities and E*TRADE Bank accounts. A \$10 early closeout fee is assessed if account is closed within 120 days of opening. After the 90-day introductory period customers will receive the current APY based on account balance. Current as of 10/28/05, accounts with balances of \$100,000 or more earn 3.25%; those with \$50,000-\$99,999 earn 3.25%; those with \$5,000-\$49,999 earn 2.50% and those with less than \$5,000 earn .30%. Example, if an account is opened with \$5,000 and the introductory offer is a 4.10% APY for 90 days, account will yield 4.10% for 90 days. For balances of \$5,000-\$49,999, the current yield for nonintroductory period is 2.50%. Therefore the blended APY for the first year after account opening is 2.89%. APY is subject to change daily and fees will reduce earnings. Banking and financial products and services offered by E*TRADE Bank, a Federal savings bank, Member FDIC, or its subsidiaries. Bank deposits are FDIC insured up to \$100,000. Securities products and services offered by E*TRADE Securities LLC, Member NASD/SIPC, are not insured by the FDIC, are not guaranteed deposits or obligations of E*TRADE Bank, and are subject to investment risk, including possible loss of principal invested. E*TRADE Bank and E*TRADE Securities are separate but affiliated companies.

© 2005 E*TRADE FINANCIAL Corp. All rights reserved.

Member
FDIC



Looking Back on the 2005 PGA TOUR SEASON... AND AHEAD TO 2006

When it comes time to go to the highlight reel for the 2005 PGA TOUR season, it should surprise exactly no one that the player who appears most often is one Tiger Woods, who ended the year as the number one-ranked player in the official World Golf Ranking after winning six tournaments, including the Masters and British Open. Woods joined Jack Nicklaus as the only players to win each of the four professional majors at least twice. His career best of \$10.6 million in TOUR winnings placed him atop the money list for a remarkable sixth time in his brief 10-year career.

Woods' closest challengers for Player of the Year honors were Vijay Singh and Phil Mickelson, who both won four times on TOUR. For good measure, Mickelson also won his second professional major, the PGA Championship. Singh, who has won 17 events over the past three seasons, racked up an amazing 18 top-10 finishes for the third consecutive year. A few other memorable highlights include 48-year-old Fred Funk's win at THE PLAYERS Championship, the U.S. team's dramatic Presidents Cup victory and Jack Nicklaus' tearful farewell.

It is often said that winning is its own reward, but on the PGA TOUR, victory often gets you more than a healthy check and a lovely trophy. One of the most popular perks among the players is the invitation a victory earns you to the prestigious, season-opening Mercedes Championships.

And why wouldn't it be treasured? For starters, it confirms your inclusion among the TOUR's elite players such as Woods, Garcia Singh, since the field is only open to players who won a tournament the previous season. For another, it gets you (and doubtlessly your family) to Hawaii for the first week of January for a stay at one of the world's premier resorts, Kapalua Bay Hotel & Villas.

The Mercedes Championships is one of the oldest events on TOUR, dating back to 1953, when one of the game's all-time great personalities, Al Besselink, won at the Desert Inn Country Club in Las Vegas. Over the years, the tournament made its way west, ending a 29-year run at La Costa Resort and Spa in Southern California before moving to Kapalua's Plantation course in 1999 — five years after Mercedes began its long run as title sponsor.

How popular is the event? Here are just a couple examples: Last year after winning in Hartford, Brad Faxon decided to move up surgery on his right knee to help ensure that he'd be completely recovered in time to start his 2006 season at the Mercedes Championships.

"My wife told me that if we didn't go to Kapalua, she was going to kill me," said Faxon, the winner of the 2005 Payne Stewart Award presented by Southern Company. For his part, Jim Furyk, winner of the 2001 Mercedes Championships, and his wife, Tabitha, are crazy about Kapalua they bought a home there. And it's a safe bet that

Kapalua: The dramatic finishing hole
at the Mercedes Championships

2006 PGA TOUR Tee Off:
Mercedes Championships
Date: Thursday-Sunday, 1/5-1/8
Tee Time: 7:00 p.m. (EST)
Network: ESPN

WATCH THE WORLD'S
BEST PLAYERS
COMPETE FOR THE WORLD'S
BEST CAR.



**Mercedes
Championships**

Don't miss the 2006 Mercedes Championships at The Plantation Course in Kapalua, Maui. The winner of this PGA TOUR season opener will win an all-new 2007 Mercedes-Benz S 550. It's the best playing for the best. **Champions. Unlike any other.**




Kapalua

ESPN

THURS. JAN. 5
7:00 - 10:30 PM

FRI. JAN. 6
7:00 - 10:30 PM

SAT. JAN. 7
7:00 - 10:30 PM

SUN. JAN. 8
7:00 - 10:00 PM

All times Eastern Standard.

Australia's Stuart Appleby is anxious to get the 2006 season under way, since he is the two-time defending champion — and seeking to join Gene Littler as the only player to win the Mercedes Championships three years in a row. Should Appleby win, in addition to his \$1.8 million winner's prize, he'll also receive an S550 Mercedes, which is set to launch in early 2006. It will fit nicely with the two Mercedes he won for his previous two wins. Call it the Mercedes trifecta.

While the tournament is a chance to

lion through Kapalua Maui Charities (the tournament host) and the Mercedes Dealer Championships grassroots golf program.

Just as the Mercedes Championship enjoys a long history with the PGA TOUR, so does the state of Hawaii.

The Sony Open in Hawaii has been played at the Waialae Country Club in Honolulu since 1965, and in its second year it was won by a popular native son, Ted Makelena, the only Hawaiian to ever win on the PGA TOUR. In 1983, the tournament

1997. Like the Mercedes Championships elite field is comprised exclusively of tournament winners from the previous season winners of Champions Tour majors from previous years. The competition is played out over the dramatic Jack Nicklaus designed Hualalai Golf Club, which winds way through stark lava flows. The contrast between the black lava, the green grass and the blue ocean views is stunning — encouraging for snow-bound golfers watching on television and hoping against hope



Spain's Sergio Garcia continues to thrill crowds with his boyish enthusiasm



Jack Nicklaus says farewell to St. Andrews during the 2005 British Open

2005 PGA TOUR Winners Eligible for 2006 Mercedes Championships

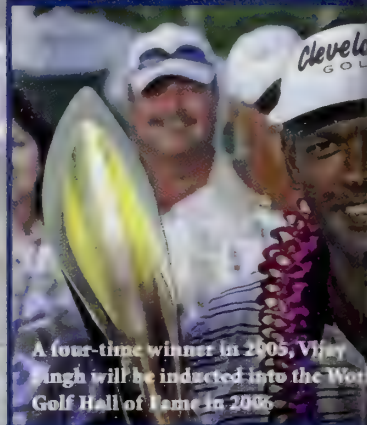
Players listed in qualifying order

Stuart Appleby	Jim Furyk
Vijay Singh	Sean O'Hair
Tiger Woods	Jason Bohn
Justin Leonard	Ben Crane
Phil Mickelson	Retief Goosen
Adam Scott	Vaughn Taylor
David Toms	Brad Faxon
Geoff Ogilvy	Olin Browne
Padraig Harrington	Mark Calcavecchia
Kenny Perry	Jason Gore
Fred Funk	Robert Gamez
Peter Lonard	K.J. Choi
Tim Petrovic	Wes Short, Jr.
Ted Purdy	Lucas Glover
Bart Bryant	Carl Pettersson
Sergio Garcia	Heath Slocum
Michael Campbell	

Stuart Appleby, winner of the 2005 Mercedes Championships ... and a new Mercedes Benz CLS500



Jim Furyk continues his comeback from wrist surgery with a victory at the Cialla Western Open



A four-time winner in 2005, Vijay Singh will be inducted into the World Golf Hall of Fame in 2006

showcase the most successful players from the previous season, it also affords an opportunity to check out whose games look the most promising for the year ahead. In fact, since 1953, ten winners of the Mercedes Championships have gone on to become that season's leading money winner — and they are players with very impressive records. Jack Nicklaus and Tom Watson pulled off this double three times, while Tiger Woods has done it twice.

On top of that, the Mercedes Championships makes a significant contribution to the TOUR's commitment to charity. The 2005 tournament contributed more than \$1 mil-

lion was also the site of another first, when Japan's Isao Aoki holed his approach shot on the 72nd hole to become the first Asian golfer to win on TOUR.

In addition to these two TOUR events, in late November the winners of the PGA TOUR's four majors travel to Poipu Bay Golf Club at the Hyatt Regency Kauai Resort and Spa for the PGA Grand Slam of Golf, an unofficial event.

Hawaii is also a popular destination for the players on the Champions Tour, which begins its season at the MasterCard Championship at Hualalai, an event that debuted in 1984 and moved to Hawaii in

any signs of spring and warm weather.

The following week, the Turtle Bay Championship is held at the Palmer Course at Turtle Bay Resort on Oahu's North Shore. No one is happier about this than Hale Irwin, who has won this tournament five times in a row, six times in all. The event has been played in Hawaii since it debuted in 1987.

A third Champions Tour event played in Maui is the Wendy's Champions Skins Game, which is played at the Wailea Golf Resort's Gold Course. It's an unofficial competition, but remains a very popular event.

No look back on the 2005 PGA TOUR season would be complete without mention-

HAWAII

Play where the TOUR Pros play



Mercedes
Championships



Turtle Bay
CHAMPIONSHIP



**Catch all the action in the 2006 Aloha Season
and you'll see what it's like to play paradise for *yourself*.**

Hawai'i has over 80 courses on six islands. Seventeen are in the *Condé Nast Traveler* Top 65 resort courses in the U.S. and eight are listed in *Golf Magazine's* "Top 100 You Can Play" rankings.

Hawai'i will challenge your game with spectacular courses that can only be found in these Islands of Aloha.

HAWAII

THE ISLANDS OF ALOHA®

one of the major news stories of the year in golf: the TOUR's announcement that it had reached the \$1 billion mark in charitable giving, a sum greater than the total contributions made by all other professional sports organizations combined.

"Giving back to the communities in which our events are held is at the heart of the PGA TOUR," said PGA TOUR Commissioner Tim Finchem. "It reflects directly on a number of entities, namely tournaments, sponsors, players, volunteers and communities all working together."

The first recorded charitable donation made by the TOUR came in 1938, when the Palm Beach Invitational donated \$10,000 to local charities. That set a precedent that has been followed, year in and year out, ever since.

A perfect example of the PGA TOUR's charitable involvement came this year when, in the wake of Hurricane Katrina, the TOUR joined with other major golf organizations in the U.S. in an effort to raise \$5 million for disaster relief.

A large step toward reaching that goal came shortly after the announcement of the effort, when Maggie Hardy Magerko, the president and owner of both the 84 LUMBER Company and the host resort of the TOUR's 84 LUMBER Classic, Nemaquin Woodlands Resort, stepped up to the plate in a big and important way. On the eve of the tournament, she announced that she would personally match player and spectator contributions on a dollar-for-dollar basis, up to \$500,000. In addition, she promised to contribute half of the amounts won by John Daly and Vijay Singh, whom 84 LUMBER sponsors. In the end, the total contribution came to nearly \$1.2 million.

And just to prove that there is a certain good karma that surrounds the game of golf, there's the case of Jason Gore, who captured the nation's attention when he made a strong run at winning the U.S. Open at Pinehurst No. 2. This good-natured Nationwide Tour player enjoyed a four-day love affair with the enormous galleries, which took him and his unlikely quest for the national championship to heart.

Alas, on the final day, he struggled and shot a 14-over-par 84. But perhaps that was a precursor of good things to come, since he did go on to energize the fans and win his first TOUR victory at — you guessed it — the 84 LUMBER Classic.

Is this a great game or what?

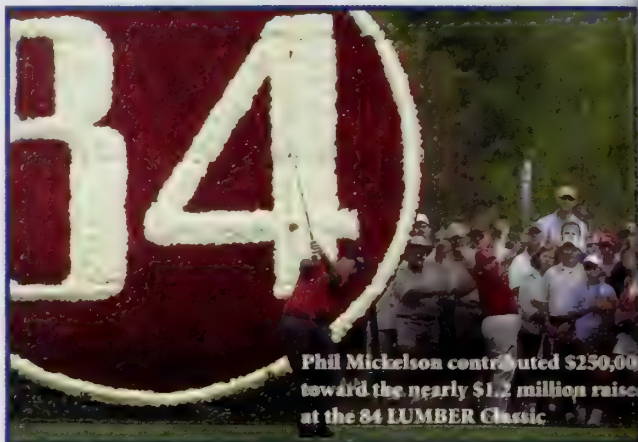
WEB DIRECTORY

www.mbusa.com

www.84lumber.com

www.hawaii.gov/tourism

www.pgatour.com



Phil Mickelson contributed \$250,000 toward the nearly \$1.2 million raised at the 84 LUMBER Classic

NOTABLE FACTS AND FIGURES FROM 2005

MULTIPLE WINNERS: Tiger Woods (6), Vijay Singh (4), Phil Mickelson (4), Kenny Perry (2), Justin Leonard (2), Padraig Harrington (2), Bart Bryant (2)

MAJORS WINNERS: Tiger Woods (Masters, British Open), Michael Campbell (U.S. Open), Phil Mickelson (PGA)

OLDEST WINNER: Fred Funk, THE PLAYERS Championship, Age 48

YOUNGEST WINNER: Sean O'Hair, John Deere Classic, Age 22

FIRST-TIME WINNERS: 12

LOW NINE: 28 (7-under), John Rollins, back nine, third round, Deutsche Bank Championship

LOW 18: 60, Phil Mickelson, second round, FBR Open

LOW 72: 260 (20-under), Ben Crane, U.S.

Bank Championship at Milwaukee

HOLES IN ONE: 31

DOUBLE EAGLES: 4

BEST BIRDIE STREAK: 7, Joe Durant (Honda Classic), Tiger Woods (Masters)

AVERAGE DRIVING DISTANCE: 288.9 yards



Fred Funk celebrates winning 2005 hole-in-one at the U.S. Open



Jason Gore on his way to victory in THE PLAYERS Championship



Jason Gore, winner of the 84 LUMBER Classic and three Nationwide Tour events



Tiger Woods makes the birdie on the 16th hole during the day of The Presidents Cup

84 LUMBER

Congratulations to Jason Gore
2005 84 LUMBER Classic Champion
on his first PGA TOUR victory!

Classic

NEMACOLIN WOODLANDS RESORT



A CLASSIC VICTORY!

84 LUMBER would like to thank the 200,000 plus wonderful golf fans from our region for helping to make the 84 LUMBER Classic such a huge success. We'd also like to thank the 1,400 tournament volunteers and hundreds of corporate sponsors for their tremendous support. This year's tournament raised over **\$1.5 million** for area charities, and we would like to salute the **United Way of Allegheny County** and its 80 charity and community partners for their outstanding work. We look forward to continuing to build the finest stop on the **PGA TOUR** for our great region at **Nemacolin Woodlands Resort!**



United Way
of Allegheny County
and Regional Charity Partners



Official PGA TOUR Event



NEMACOLIN WOODLANDS RESORT

SEPTEMBER 11-17, 2006

"Being moved is what collecting is all about," the late publishing magnate Walter H. Annenberg once said. Are you moved by scrimshaw or Yuan dynasty jars? What about 20th-century photos, vintage aircraft, modern Indian art or duck decoys? You'll find them all and lots more objets in our annual **Collectors Guide**, along with a tale of how the urge to acquire can turn into an impulse to steal.

Positively

Bonanza

Long overlooked on this side of the Mississippi, California impressionism and pictures of cowboy-and-Indian life are causing collector stampedes. The annual market bellwether, the Coeur d'Alene Art Auction, has become such a millionaire magnet that it moved to Reno a few years back after the Coeur d'Alene airport couldn't handle all the private jets. The auction has pulled in ever-higher sales totals—from \$10 million in 2003 to \$21 million in 2005. This year 15 new records were set for artists including Maynard Dixon and Charles Russell, whose mythic image of Indians on horseback at sunset, "Pie-gans" (*below*), rustled up \$5.6 million—more than double his previous auction high point. Good luck grabbing an Indian picture by turn-of-the-20th-century Taos artists like Oscar Berninghaus and Joseph Sharp, most of whose canvases sold in Reno this year for more than double their high estimates. Coeur d'Alene auctioneer Peter Stremmel points to a buyer pool rapidly expanding past "cigar-chomping Texans who know



You break it, you buy it: \$28 million for a Chinese vessel.

what they like" to include knowledgeable bidders from as far away as Europe.

Bull Run In the China Shop

Twenty-eight million smackers for a porcelain jar? That's what a Yuan dynasty blue-and-white vessel from the mid-14th century fetched this summer at Christie's London. It's been a dream year for Chinese ceramics at auction, from the big salesrooms to the small regional houses. In October Sotheby's Hong Kong sold a tiny Guyuexuan pheasant vase for \$14.9 million, the fourth time in four years that Sotheby's Hong Kong has smashed the world record for Qing porcelain. Truly crazy: A pair of small Chinese famille rose porcelain vases at Northeast Auctions in New Hampshire this August, with a presale estimate of \$400 to \$600, fetched \$545,000. Whence all this market intensity? China's new wealthy class, busy repatriating its cultural treasures.

Girl Watching

As their most important works continue to be spirited off the market and into museums, prices for Mark Rothko, Jackson Pollock and Willem de Kooning, the three most coveted abstract expressionist artists, continue to bound upward, goosed by serious collectors like entertainment mogul David Geffen. But the boys aren't the only story here. Prime (late 1950s to early 1960s) paintings by Joan Mitchell have risen tenfold in price over the last 10 to 15 years (example: \$2.7 million for "King of Spades"), while



How the West was won: with \$5.6 million for a Charles Russell.

Sizzling



Lee Krasner's "Celebration": \$1.9 million worth.

Important canvases by Pollock's long-suffering wife, Lee Krasner, have shot up from the low six figures into the low millions in just the last three years. ("Celebration" fetched \$1.9 million in 2003; since then several works have nudged even figures.)

Thar She Blows

The sleepy little market for scrimshaw—an early-American practice of scratching designs into sperm whale teeth or walrus tusks—got three seismic jolts in a four-month period this year. The action started in early May at a Bonhams & Butterfields auction in Brookline, Mass. with a circa 1828 tooth carved by Nantucket-born Edward Burdett, the earliest documented engraver of pictorial sperm whale teth. Illustrating the dramatic rescue of one whaling boat by another, the tooth inspired fierce bidding of up to \$182,500, sailing by the \$102,000 scrimshaw record set in 2003.

That seemed a fluke until the August maritime sale at Northeast Auctions in Portsmouth, N.H.; another Burdett

fetched \$193,000, only to be upstaged the same day by an 8-inch-long example by an anonymous artist whose design included a ship, whales and flying albatross. Price: \$303,000. Keep an eye out for other nautical material, especially ship figureheads.

Going, Going ...

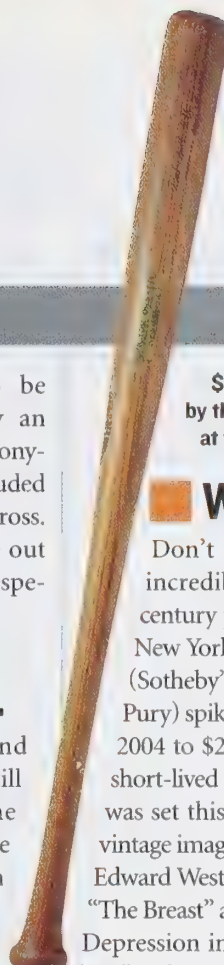
When it comes to high-end baseball memorabilia, Babe Ruth still dominates. In December 2004 the bat he swung to hit the first home run ever in Yankee Stadium, on Apr. 18, 1923, fetched \$1.3 million. In June the historic contract marking his cursed sale from the Red Sox to the Yankees sold for \$996,000. A few weeks later a jersey purportedly worn by the Babe when he belted the "called shot" against the Chicago Cubs in the 1932 World Series sold for \$1.1 million at Grey Flannel Auctions. But other high-end artifacts of the game are also scoring big. In the last year

Lou Gehrig's road jersey, worn in the 1934 All-Star game, sold for \$253,000. A panoramic 1911 photograph of American League players at Cleveland's League Park fetched \$89,625, setting a new high for an unsigned sports photo. And a 1950–51 Josh Gibson card sold for \$69,262, setting the record for a piece of Negro League memorabilia. A caveat: Two lawsuits alleging fraud by an authenticator and sports memorabilia auctioneer remind us how pocked this field is with fakes—and wishful thinking.



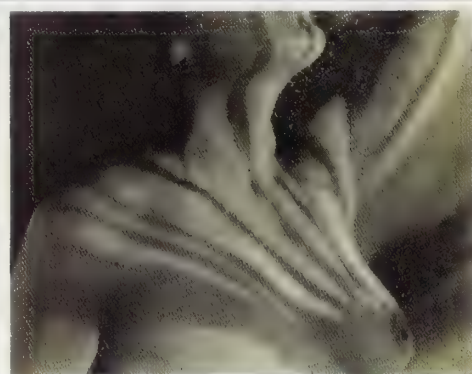
Scrimshaw harpooned for \$303,000.

\$1.3 million for the bat used by the Babe to hit his first homer at then new Yankee Stadium.



Watch the Birdie

Don't blink or you'll miss the incredible price jumps for 20th-century photography. Total sales for New York's big three auction houses (Sotheby's, Christie's and Phillips de Pury) spiked from \$11.3 million in fall 2004 to \$29.1 million this October. A short-lived photography auction record was set this fall at Sotheby's with two vintage images reaching \$822,400 apiece: Edward Weston's shadowy and sensuous "The Breast" and Dorothea Lange's iconic Depression image "White Angel Breadline." A few weeks later in Christie's post-war and contemporary sale a Richard Prince photograph of a photograph of a cowboy, appropriated from a Marlboro



Edward Weston's photo cleared \$822,400.

cigarette ad campaign, sold for \$1.3 million. What's up? New crossover collectors from the contemporary market accustomed to seven-figure prices, as well as an infusion of speculative buyers paying high prices for more decorative photos like those by Richard Avedon, Irving Penn and Robert Mapplethorpe. —Missy Sullivan, editor of the *Forbes Collector newsletter*. www.forbes.com/collector.

Blame Snoopy

Kermit Weeks amassed the **biggest private collection** of vintage aircraft. Now he wants to use it to liberate the human spirit. By Alan Farnham

I DON'T HAVE TO DO THIS," SAYS Kermit Weeks, with a sweep of his hand taking in the full scope of his \$80 million empire: 150 vintage planes, a gift shop, a restaurant, three art deco hangars covering a combined 70,000 square feet, 8,000 feet of runway, 60 employees and more than 1,000 acres of choice central Florida land on which to expand. Part theme park, part museum, part experiment in pop psychology, Fantasy of Flight, open to the public since 1995, sits halfway between Orlando and Tampa. Weeks paid for it out of his own pocket.

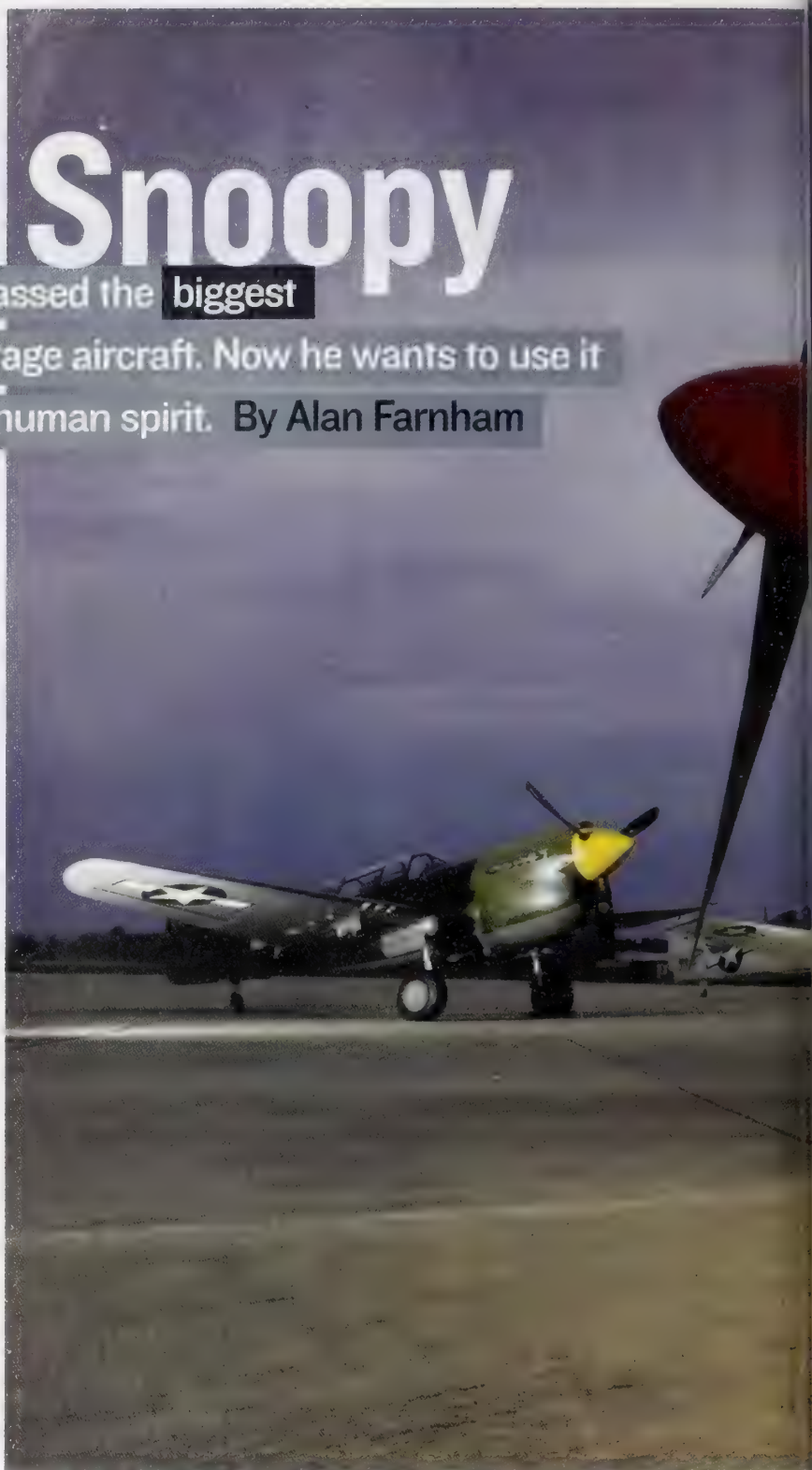
Why do it? Not for the money. Boyish and jaunty, the ponytailed 52-year-old is lucky to be independently rich, since Fantasy of Flight has never earned a nickel. Gross revenues last year were \$2 million, from 70,000 visitors spending \$25 a ticket, plus revenue from parties and corporate events; Weeks won't divulge operating costs. "The numbers," he says, "aren't good." But he is on a mission. What you see today is but a hint of what's to come. In the future Weeks hopes to expand his fantasy to include not just many more and different attractions but a city, to be called Orlampa. "And when I finish Orlampa," he says, "that will be only the beginning of my dream to become the focal point on the planet for unleashing human potential."

Such pure conviction plus an unbri-dled enthusiasm make Weeks sound at times like a flyboy who's looped one too

many loops. Narcissism? You bet. His autobiography lists, among the salient events of 1992, Hurricane Andrew and "began his ponytail." Then there's his spirituality, which he discusses with no more inhibition than he would the cruising speed of a Lockheed Vega. "In my late 20s I started

having out-of-body experiences. Do you believe in ghosts? I do; I became one. I went out of my body and floated through walls." He came to view aviation as the physical complement to an inner yearning: to be free, to surmount all obstacles.

Through clever simulation, visitors to





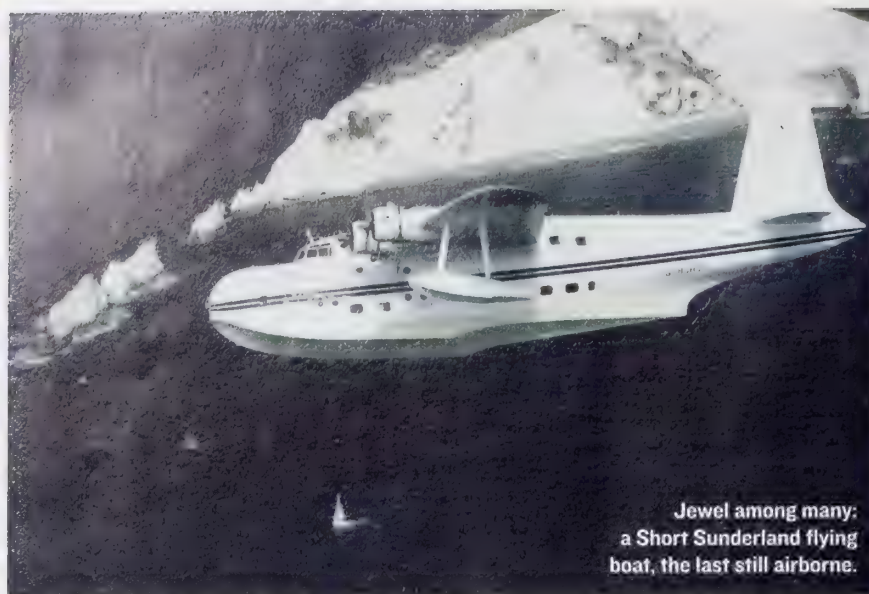
A \$5 million smile:
Kermit Weeks
with (from left) a
Curtis TF-40M,
Grumman FM-2,
North American P-51C.

Fantasy of Flight can already taste a bit of reality-based, out-of-body adventure. They can, for example, relive the sights, sounds, vibrations and even smells that the crew of a B-17 would have felt on a World War II bombing raid over Germany. Such experiences, thinks Weeks,

have the power to move people emotionally, nudging them in new directions by inspiration or provocation. A future exhibit on Lindbergh will re-create a moment during his solo crossing of the Atlantic when he believed he was visited by "spirit entities" that urged him to go

on. The incident, says Weeks, forces a participant to wonder: Am I alone on my own journey? Do I, too, have a destiny?

Weeks' fascination with flight began in 1967, when at age 13 he heard a song on the radio: "Snoopy vs. the Red Baron," by the Royal Guardsmen. The song, he



Jewel among many:
a Short Sunderland flying
boat, the last still airborne.

says, triggered something within. By 17 he had learned to fly and was building his first airplane from a \$40 set of plans he paid for by mowing lawns. At 20 he took up aerobatics, twice becoming U.S. National Aerobatic Champion and placing second best in world competition.

In his mid-20s fate rained money on him—the result of a business deal forged years earlier by his grandfather, Lewis Weeks. As recounted in a June 1974 *FORBES* story, Lewis, after years of finding oil for Standard Oil of New Jersey as its chief geologist, retired in 1958 and set up shop as a consultant. When Australia's Broken Hill Proprietary (now BHP Billiton) asked him where to drill, he pointed it to the Bass Strait, 30 miles southeast of Melbourne. As to a fee, Lewis said he didn't want one—he was doing nicely on his pension. Instead he asked for a 2.5% royalty (which he intended to share with his descendants). For how long? "Forever," Weeks told BHP. The deal was inked, oil was found, and by the mid-1970s Lewis was seeing \$3.5 million a year in royalties. Predicted *FORBES*, "Weeks and his heirs may end up with as much as a quarter of a billion dollars." Lacking more precise data, we would offer this as an estimate today of the Weeks family net worth. (Besides Kermit there are six other heirs.)

During the years before extraction of the oil started, Kermit and his parents got nothing. His father, also a geologist, had trouble finding work. "My folks went through some difficult financial times,"

Kermit remembers. For a while his dad sold Fuller brushes door-to-door. Not until Kermit was a high school senior in Miami, contemplating a career as a crop duster, did his first royalty check arrive—\$1,200. Five years later he was receiving in excess of \$100,000 a year. The payments continue to this day, though he won't divulge their size

"My folks went through some difficult financial times," Kermit Weeks remembers. For a while his dad sold Fuller brushes door-to-door.

other than to say they've become less significant than his income from investments.

Armed with this windfall, he started buying planes in earnest: first a World War II AT-6 trainer for \$28,000 in 1979, then a P-51 Mustang for \$155,000 the same year. In 1981 he picked up a beat-up P-38 for \$75,000; in 1983 both a DeHavilland Mosquito (\$130,000) and a Grumman Duck (\$110,000). He opened the Weeks Air Museum in Miami but immediately outgrew its 26,000-square-foot hangar when in 1985 he acquired, in a single gulp, 36 more aircraft, for \$1.2 million. After Hurricane Andrew flattened the museum, Weeks bought *Fantasy of Flight's* present site and moved his planes.

The collection's jewels include the last four-engine passenger flying boat in air-worthy condition—a 1944 Short Sunderland that weighs 57,000 pounds and has a 112-foot wingspan. "I don't buy anything

I don't intend to fly," says Weeks, who certified to pilot every aircraft in the collection. Not only is his the largest private collection in the world, but also subsets of it are themselves extraordinary. *Fantasy of Flight* contains the largest number of privately owned vintage World War I planes, World War II fighters, bombers and British World War II planes. Weeks figures he has spent \$15 million on aircraft, plus another \$20 million for land and infrastructure.

Along the way he's had to acquire business skills, even though he says, "I've got to tell you, I find business not particularly fascinating." He reads how-to and self-help books; has attended seminars offered by the Disney Institute, which aims to hone skills in leadership, people management and creativity; and belongs to TEB (the Executive Committee), a support group for chief executives similar to the Young Presidents' Organization. It helps that Weeks is well liked and widely respected in the aviation community and that he's an accomplished horse trader. "A lot of things," he explains, "can't be acquired by cash."

Example: Fellow collector Thomas Friedkin owned a Grumman F3F biplane Weeks wanted. But Friedkin didn't need to sell. "He has more money than God," says Weeks. Knowing Friedkin wanted a Grumman Duck, Kermit bought one and traded him that for the F3F.

What else does Kermit want? He's reluctant to say, for fear of driving up the price, but admits to coveting a Martin Mars—a flying boat even bigger than the one he's got. The last examples still in existence are in Canada, serving as water bombers for a timber consortium. They aren't for sale. Perhaps someday.

He can't tell you the final shape of *Fantasy of Flight*. "I know life has a plan," he says. "I just can't see it yet." Meantime, he's flying solo. "I will not compromise this product by taking in short-term investors who want to bottom line it," he insists. "I will not compromise my dream."

MAY WE **air** OUR DIFFERENCES?

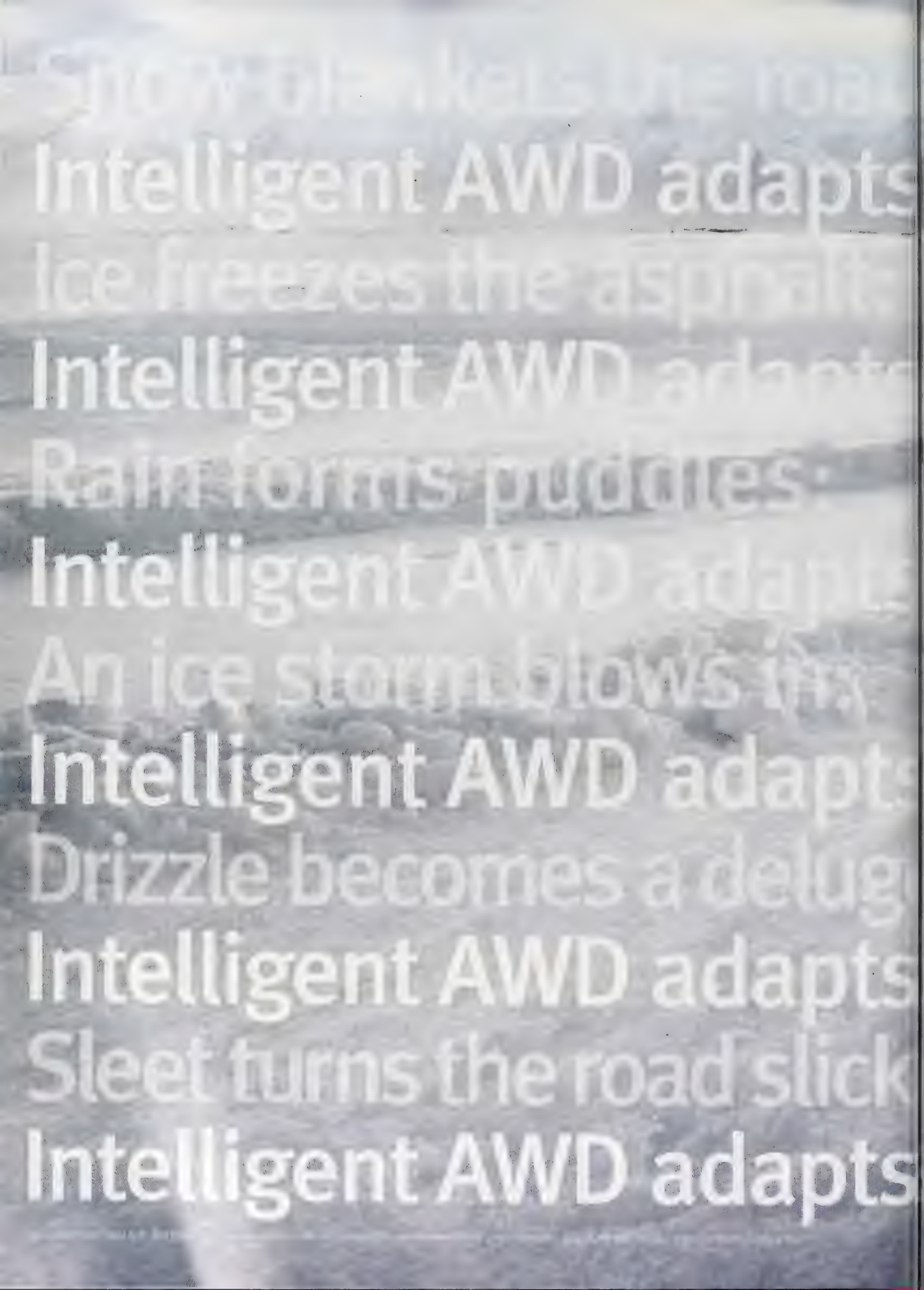
Comparatively speaking, our customers enjoy an upper hand. They fly on the industry's youngest fleet. Their aircraft has the highest residual value. And with innovative products, they have a first hand look at the future of private aviation. Contact CitationShares. That's the one you want.

 CitationShares

800.340.7767 • 121

CitationShares.com





Snow blankets the road.
Intelligent AWD adapts.
Ice freezes the asphalt.
Intelligent AWD adapts.
Rain forms puddles.
Intelligent AWD adapts.
An ice storm blows in.
Intelligent AWD adapts.
Drizzle becomes a deluge.
Intelligent AWD adapts.
Sleet turns the road slick.
Intelligent AWD adapts.



Summer arrives:
Intelligent all-wheel drive
instantly adapts
to deliver rear-wheel-drive
performance.



Designed that way because rear-wheel drive delivers the exhilarating performance, precise handling and decisive steering feedback that you expect from a true performance mobile. Make the most of all seasons in the M, FX or G35. Visit Infiniti.com.



INFINITI

Passion Plays

What turns collectors into thieves? By Joshua Levin

FROM HIS JAIL CELL IN SWITZERLAND three years ago Stephane Breitwieser told a reporter about his first time. It was 1994. He was drooling over an 18th-century pistol in an unlocked glass case in the Musée des Amis de Thann in Alsace, France. "The pistol fascinated me. My heart was going 100 miles an hour, I was terrified, but I was driven by passion. I asked myself, 'What's holding me back?'" said Breitwieser, now 34 and finishing up a separate 26-month prison term in France. "Afterwards, I slept with the pistol beside me—I cleaned the wood, removed the rust; I treated it like a baby I was nursing. But I was still very frightened. Each day for a month I bought the newspaper, but the museum said nothing about the theft—a lot of museums prefer to smother these affairs. Eventually I calmed down."

And how. Breitwieser got so calm that he spent the next seven years snatching works of art from small museums all over Europe, becoming one of the busiest art thieves in history. Nothing fancy about his MO. He grabbed small things he could fit easily under his coat or in a knapsack and strolled out of sparingly guarded front doors the way he came in. He favored antique weapons and musical instruments, but he also made off with several minor masterpieces of painting, including works by Lucas Cranach the Younger and François Boucher. "There was often no watchman or anything—all you had to do was bend down and pick something up," marveled Breitwieser.

Eight years later he had amassed

some 250 objects, which he stashed in his bedroom at his mother's house in eastern France. He finally slipped up in 2001 by returning to the Richard Wagner Museum in Lucerne, where two days earlier he had stolen an antique hunting horn. A museum worker recognized him and called the police.

You may recall the



Round two: Stephane Breitwieser (top center) shows up for a second trial; a French cop tries to locate some of the loot.



sickening end to the story. After hearing her son had been apprehended, his mother, Mireille, tried desperately to destroy all evidence of his crimes. She shredded the paintings and mixed the priceless tatters with her compost. The antique weapons and musical instruments she dumped in the Rhine-Rhône canal—whether to save her son or herself is still a matter of conjecture.

How much was the whole thing

worth? Certainly far less than the \$2 billion the newspapers claimed at the time but probably well above \$30 million.

Not that Breitwieser saw a penny in it. He never sold a single object. That wasn't the point. "I did it because I love these things, because I simply had to possess them," said Breitwieser, a scrawny young man with a jumpy manner, wispy hair, pale skin, a pointy nose and not a shred of remorse.

Jonathan Sazonoff, an expert on crime for the Museum Security Network, a nonprofit group in the Netherlands, calls characters like Breitwieser "cultural kleptomaniacs." A tiny minority in the fraternity of art thieves, they are in a way its aristocracy. They steal for love, not lust, and their special devotion ennobles them—at least the way they think it does.

To this deeply neurotic breed, pilfering is just collecting by other means. Very often they know as much or more about what they steal than the acknowledged experts in the field. John Quentin Fellea, a onetime history professor at the University of Scranton,

was a noted expert in Chinese porcelain who talked his way into museum storage vaults and walked off with over 100 pieces from eight museums, mostly in the U.S., over a period of 20 years. In an uncharacteristic display of chutzpah he went so far as to donate some of his loot to other, less-endowed institutions.

"These guys take things because the

A photograph of a metal tray with a row of lemons and a head of lettuce. The lemons are yellow and round, arranged in a line. The lettuce is green and leafy, with a slice of avocado on top. The tray is silver and has a row of small holes along its edge.

VARIETY IS THE SPICE OF HEALTHY BUSINESS.

Looking after personal health has taught us something about looking after business health: listen carefully and respond to your needs. To help keep your company healthy we're offering a range of new options to provide a complete solution for your coverage and to manage your costs:

- HMO deductible plans
- POS and PPO plans
- Co-payment plans from \$5–\$50
- Deductible plans from \$250–\$1,500
- CarePaySM suite of financial products — including a Health Savings Account (*available in 2006*)

More choices make our integrated system more accessible, so your people can live well, be well, and your whole business can thrive. To find out what's different about us, call your authorized Kaiser Permanente broker or visit us at employers.kp.org

KAISER PERMANENTE®  **thrive**

PolyOne helps people work wonders

with polymers.

Why Ohio?

NEVER BEFORE has the plastics and rubber industry had so many products and services available from a single company in so many locations around the world. PolyOne's vast product line includes plastic compounds, colorants and polymer additives, thermo-plastic elastomers and specialty coating systems. And last year, they worked wonders for their customers to the tune of \$2.2 billion in revenues.

PolyOne operates manufacturing and distribution centers worldwide, but it makes its home in Ohio.

Ohio provides PolyOne with an ideal location, a skilled workforce, an excellent transportation infrastructure, and ready

access to technology, research and development. Meanwhile, PolyOne employees enjoy a relaxed, yet sophisticated lifestyle with diverse cities, outstanding

schools and affordable housing. Ohio is a great place to raise a family.

And now Ohio's business climate is even better. Major tax reforms have shifted policy from taxing capital investment, profits, and wealth creation to taxing gross receipts. The result is greater incentives to

invest in innovation and productivity and more support for entrepreneurial activity.

Visit us at OhioMeansBusiness.com. Or call us, and we'll show you how Ohio can work wonders for your business.

Bring
Your
Business.
Enrich
Your Life.

*"At PolyOne,
we're committed
to meeting our
customers' needs
every day to help
them succeed.
Ohio's commitment
to business
has done the
same for us."*

— W. David Wilson
Chief Financial Officer



NEW TAX REFORM PAVES WAY FOR OHIO BUSINESS GROWTH. 1-877-466-4555

Attract talent.
Shrink labor costs. 21% lower personal income tax.

Enhance ROI. No property tax on investments in machinery and equipment.

Reduce tax rates. No business tax on product sold to customers outside Ohio.

Enjoy a level playing field. All companies taxed the same.

Start a new enterprise. First \$1M gross receipts are tax-free.

Spend less on compliance. Fair, simple, equitable. Lower cost of doing business.

Plan accurately. Stable, efficient, predictable. No tax surprises.

Ohio
MEANS BUSINESS

www.OhioMeansBusiness.com

Join Us for a Celebration of the Global Marketplace

**The WORLD
MONEY SHOW®**
Uniting the Global Investment Community

**Orlando, Florida USA
February 1 - 4, 2006 • Gaylord Palms Resort**

You are invited to be our guest at **The World Money Show**—the largest gathering of investors, traders, experts, and product-and-service providers that the world has ever seen. At The World Money Show you will join 10,000+ like-minded investors who will gather to gain insights, wisdom, and advice from over 100 top US and international financial experts and to comparison-shop 250 financial product-and-service providers from around the globe.

International Programming Offers a World of Investment Opportunities

The World Money Show Orlando will feature over 250 financial services companies, 60 internationally renowned speakers and keynote presenters, exciting panel discussions and special events, 200+ educational presentations and programs to assist financial services companies in reaching the international investor. With more than 10,000 participants, The World Money Show Orlando will "Unite the Global Investing Community" while maintaining all the domestic investment focus, content and opportunities on which The Money Show has built its 28-year reputation.

The World Money Show Orlando will focus on in-depth economic and investment presentations by experts from Australia, Brazil, Canada, China, Germany, Japan, Russia, South Africa, the United Kingdom, and the United States.



NEW Create your own personalized program—purchase a VIP Investment Masters Passport—and tailor your World Money Show experience to suit your own unique needs, experience, and investing style. For complete details visit www.WorldMoneyShow.com or call 800/970-4355.



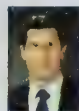
Looking Ahead for Investors:



Steve Forbes
President, CEO, and
Editor-in-Chief
Forbes Magazine
**Disarray in
Washington—What
Impact on Stocks
and the Economy?**



Simon Hobbs
Co-host, *European Closing
Bell* and *Frankfurt
Closing Bell*, CNBC Europe
Master of Ceremonies



John Thain
CEO
New York Stock
Exchange
(Via video-conference
from the NYSE floor)
**The Next Five
Years—Going Global
for Investors and
Traders**



Newt Gingrich
Former Speaker of the
US House of
Representatives
Winning the Future



Harry S. Dent
Editor and President
H.S. Dent Foundation
**The Next Great
Bubble Boom:
2006-2010**



Robert McTeer
Former Dallas Federal
Reserve Bank President
**There is Life After
Greenspan—A Look at
the Economy of 2006**



Ed Finn
Editor and President
Barron's
**Why Americans Need
to Invest Abroad and
How to Do It Wisely**



Frank Cappiello
Chairman and
Managing Director
Montgomery Brothers,
Cappiello, LLC
**Equity Investing in a
"Different" Global
Economy—2006-2007**



Jeffrey Everett
Chief Investment
Officer-Retail Templeton
Global Equity Group
**Investing in a Global
World...This Time
It Really is Different**



Elaine Garzarelli
Chair, Garzarelli
Investment Management
**Outlook for the Stock
Market 2006—Is It a
Bear or a Bull Market?**



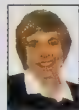
Ned Davis
President and Senior
Investment Strategist
Ned Davis Research, Inc.
**2006 Market
Outlook**



John Dessauer
Editor, *John Dessauer's
Investor's World*
**How the Dollar Has
Changed the
World...Why China May
Be Your Portfolio's
Best Friend**



Barbara Marcin
Portfolio Manager
Gabelli Asset
Management
**Dividends Are an
Important Part of
Total Returns from
the Stock Market**



Elizabeth Bramwell
President and CIO
Bramwell Capital
Management, Inc.
**Gaining International
Exposure with
Domestically Based
Stocks**



Richard Band
Editor
Richard E. Band's
Profitable Investing
Contributing Editor
InvestorPlace.com
**A Crusty Contrarian's
Picks and Pans**



Julian Mayo
Investment Director
Charlemagne Capital
(UK) Ltd.
**Investment
Opportunities in
Emerging Markets**

and many more...

Sponsors



**Visit <http://www.WorldMoneyShow.com> to register for
The World Money Show • Orlando (005298)**

He was brazen. If this guy saw something he wanted, he could dismantle a locked display

case, have the damn thing out and put the case back together inside of five minutes.

feel they deserve to, since they have a better understanding of them than the general public," says Robert Wittman, a special agent with the FBI. "They rationalize to themselves that the stuff is better off in their possession than it is in some museum."

George Csizmazia was an electrician who had done work for the Historical Society of Pennsylvania in Philadelphia. He was also a collector of Civil War artifacts. Csizmazia's work brought him into contact with Ernest Medford, a custodian for the society. Over the course of seven or eight years Medford stole 200 items from the historical society and sold them to Csizmazia for a total of \$8,000 or so. They were worth perhaps \$2.5 million.

Like Breitwieser, once Csizmazia got hold of an object, he never let go of it. He arranged his entire collection in an overstuffed bedroom of his small three-bedroom house in Delaware County, Pa.—more than two dozen swords, two dozen Civil War rifles, the gun John Brown used at Harpers Ferry and George Washington's tea caddy. There were locks up and down the bedroom door.

"He had an interesting rationale," says G-man Wittman, who caught Csizmazia in 1997. "He said that because the stuff was so easy for him to steal, it was safer in his possession than in the museum's."

It would have stayed that way, too, had Csizmazia not let his collector's pride overcome his prudence. At an antiques market in the Poconos he just couldn't help boasting that he owned a \$15,000 jewel-encrusted presentation sword belonging to a Union general. Word filtered back to Wittman two years later when he was tracking a similar sword that had gone missing. The trail led back to Csizmazia, and his collecting days were over.

Csizmazia looked set to pull a light sentence. He gave everything back and cooperated with the FBI. Then 20 large museums demanded that Judge Clarence Newcomer throw the book at Csizmazia—a highly unusual response to a crime that dares not speak its name for fear of in-

spiring copycats. Guys like Csizmazia aren't art lovers, howled the museums; they're crooks. Csizmazia and Medford got four-year stretches, despite the fact that it was a first offense for both of them.

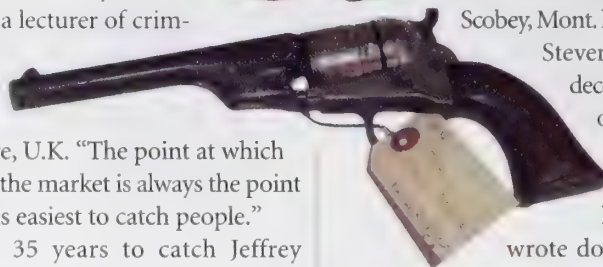
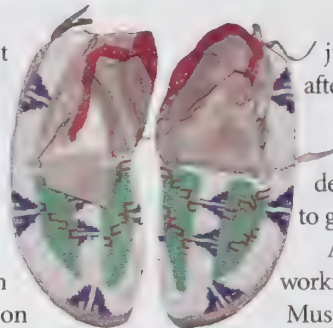
A rare victory in the battle against the light-fingered art lovers. Unless they blunder, they can keep going for a very long time. Security at small museums is often porous, under-budgeted for alarms, surveillance cameras and manpower. At the kinds of out-of-the-way museums that Breitwieser and Csizmazia favored, a single somnolent guard is often the only discouragement.

More important is the collector-thief's limited ambition for his loot. "The fact that they're not disposing of the stuff helps explain their long careers," says Simon Mackenzie, a lecturer of criminology at Keele University in Staffordshire, U.K. "The point at which art reenters the market is always the point at which it is easiest to catch people."

It took 35 years to catch Jeffrey Stevens, who traveled the U.S. in his van, where he often slept, pilfering hundreds of items in dozens of states. He had started out working as a picker for antique dealers but soon graduated to picking for himself. Stevens had a penchant for Americana and American Indian artifacts. He suffered from Asperger's disorder, characterized by a deficiency of social skills and a compulsive focus on some hobby or topic. "He



Then the tires came off: the late Jeffrey Stevens and a tiny fraction of the hundreds of artifacts he stole in dozens of states.



had very little personality—a flat affect," says Herman (Chuck) Watson, who was Stevens' lawyer. "He was secretive, obsessive. But at the same time he was brazen. If this guy saw something he wanted, he could dismantle a locked display case, have the damn thing out and put the case back together inside of five minutes."

It all came apart for Stevens when a fire in his San Diego home in 2000 incinerated a good part of his collection, worth \$1 million-plus. For

obvious reasons, there was no insurance. "He was just kind of broke down after that," says Watson. "His last spree through Montana was kind of desperate—as if he wanted to get caught."

A year later a woman working at the Daniels County Museum & Pioneer Town in Scobey, Mont. happened upon Stevens as he piled decorations off one of the museum's antique cars. She threw him out but wrote down his license plate number as he drove off.

They caught Stevens a short while later. With an arraignment scheduled for late 2004, Watson says, he was negotiating to get his client off without jail time. Stevens would return the stolen items that hadn't been destroyed and help the feds on other art crimes he knew something about. But before his case was resolved, he succumbed to a heart attack at age 59.

MITIGATING CORPORATE RELOCATION RISKS

OVERLOOKING RISK ASSESSMENT WILL COST YOU

BY ROBERT ADY



A NEW DAY FOR PENNSYLVANIA

Pennsylvania's Governor Edward G. Rendell has made economic development a top priority, and has moved forward on many fronts since taking office in January 2003. He's done more than just trim government waste or offer tax incentives — Rendell has put forth a broad program for making the state more attractive to new businesses and keeping the jobs it already has.

Pennsylvania's legislature passed the Economic Stimulus Program to support the private sector and increase the number of projects being undertaken in the Commonwealth. The program invests over \$2.3 billion as a magnet to attract at least \$5 billion in private investment in the following target areas: business investment, community revitalization, and site preparation, infrastructure improvement and construction.

One important helping hand Pennsylvania offers is the Governor's Action Team (GAT), which provides relocating businesses with liaisons that communicate with local government, subcontractors and utility companies and identify available grants, loans and other financial incentives.

The GAT is just one way Pennsylvania ensures your business a comprehensive and customized approach to finding the best relocation destination. For more information on the benefits of choosing Pennsylvania as your company's next home, please visit www.newPA.com or call 866-GO-newPA.

pennsylvania
STATE OF INNOVATION



A COMMON PITFALL IN NEW FACILITY STARTUP: OVERLOOKING RISK ASSESSMENT

Everything is sunshine at the beginning of the corporate site selection process. Companies look forward to lower operating costs, access to new markets and improved customer service as well as the prospect of introducing new products, neutralizing the competition, improving the operating climate and changing the corporate culture.

However, a new facility that starts out with promise can end up a failure. Some examples of these unfortunate scenarios include:

- The new multimillion-dollar facility that is never occupied and is eventually sold at a loss
- A corporate site selection team that disbands halfway through the project because of serious disagreements regarding the selected location, the configuration of the proposed facility, or the tradeoff between local incentives demanded and the establishment of positive community relations
- The scramble for temporary vendors to meet customer requirements because the new facility is six months late coming onstream — with no firm move date in sight

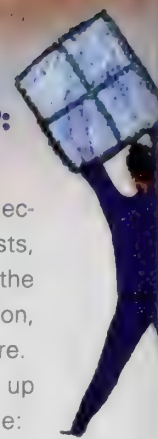
Too often, companies jump from the important first step, coming to consensus on their goals for the new facility, to the implementation phase without establishing checkpoints to monitor progress.

THE MISSING PIECE

What's missing when things go wrong is a thorough and critical evaluation of the downside risks — specifically, the risks that occur after making the decision to open a new facility and before the actual startup of the facility. During this time, which might be as short as three to four months, or as long as years, a lot can happen. While the project is under construction or the available building is being retrofitted, events could change the entire outcome of the project and its ultimate success. Most corporations seldom recognize these risks.

Properly done, risk assessment focuses on subtle issues that require significant introspection. The lack of a thorough risk assessment can lead to a cancellation of the site selection process in midstream or, worse, to the eventual mislocation of the new facility. It is important to understand that site selection decision makers should address potential problems and the risks associated with them not only during the conceptual phases of the project and after the facility is up and running, but also during the construction and implementation phase.

Virtually every business decision contains an element of risk, and successful companies have become very skilled at managing this risk. Unfortunately, for many companies, new facility startups



POTENTIAL RISKS TO ASSESS IN A NEW FACILITY STARTUP

- Construction delays
- Infrastructure improvement delays
- Significant project cost overruns
- Refusal of key personnel to relocate
- Competitor relocates nearby
- Product forecast proves inaccurate
- Problems with regulatory issues: permitting, environmental, taxes



PENNSYLVANIA OFFERS A UNIQUE
COMBINATION OF QUALITY OF LIFE
AND AVAILABLE TALENT

Matthew Emmens, CEO
Shire Pharmaceuticals, Pennsylvania

I HAVE MOVED 19 TIMES FOR MY CAREER, BUT NOW I'M HOME.

TALK ABOUT ROLLING OUT A WELCOME MAT.

When Shire Pharmaceuticals was looking to relocate, I put in a call to Governor Rendell, and within two weeks the Governor's Action Team came up with some pretty compelling reasons to move to Pennsylvania. Most notably were the funds for education and significant tax credits.

But it wasn't only the money that was important. It was the desire of the government to have us here that really cinched the deal for us. To have the Governor personally call me on my cell phone within two weeks with a deal was a pretty amazing thing. I've never had anything like that happen in thirty years in this business.

Shire has grown rapidly. We came here a year ago with 14 individuals to set up our headquarters in Pennsylvania and now we have over 500 people.



QUALITY EMPLOYEES WON'T WORK JUST ANYWHERE.

To grow, you need qualified people. And those people want the whole package: an environment in which they can raise their families, a community that nurtures them and a world-class education center. Pennsylvania offers all that as well as being convenient to other major cities on the east coast.

I think it's really a combination of things with Pennsylvania. Here you can have access to the mountains, seashore, city, rural settings, world-class restaurants and other businesses. We can access anything we need from here and easily get to businesses we deal with both in this region and other parts of the world.

Pennsylvania's two new venture capital programs will make available in-state \$620 million for new and growing businesses. So if you have an idea, you've got a partner with the means to make it happen. To learn more, call 1-866-GO-NEWPA or log on to newPA.com.

> ready > set > succeed

pennsylvania
STATE OF INNOVATION

866-GO-NEWPA | newPA.com



Edward G. Rendell, Governor

HAMPTON ROADS

From offices in wide open space to offices in dynamic downtown centers, if you're looking for opportunity, you'll find it in Virginia's Hampton Roads!

No other East Coast location can match our assets. Our labor pool is over 800,000. Our port is the second largest on the East Coast. Our state is right-to-work ... and that's just the beginning!

Hampton Roads offers the ideal mix of business energy with vibrant living. If you're looking for big city life — we've got it! If you want quiet countryside — we have that too!

That's because our MSA of 1.6 million encompasses 13 distinctly different jurisdictions: Chesapeake, Gloucester County, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, Williamsburg, Isle of Wight County, James City County, and York County.

So let the Hampton Roads Economic Development Alliance show you *all* the reasons our region is perfect for your business.

Virginia's Hampton Roads, your avenue for innovation and imagination.

For more information on Hampton Roads, please visit www.hreda.com.



can frequently involve risks that the company is not even aware of, especially during construction. This risk is often not exposed until a crisis happens. Once a company has sunk time and money into the process of bringing the new facility online, internal and external circumstances may occur that can change the expected positive outcome. Construction delays, the unexpected loss of a major customer to be serviced by the new facility or project cost overruns — each is an example of a possible crisis. If the company responds slowly or ineptly, damage control, corporate apologies and firings take place in an effort to deflect long-term company damage.

SITE SELECTION SPECIALISTS

Site selection consultants help companies identify these risks while navigating the site development process for their clients. This requires making a comprehensive list of the risks associated with the anticipated expansion. For every identified, alternative scenarios should be prepared. The risks evaluated should not only be those associated with the new facility, but those for existing location, corporation personnel and even financial ratings. Finally, milestones need to be put in place along the way to monitor performance versus expected outcomes. If lead indicators suggest that a specific scenario may occur, then the project team has early warning and can adjust its course accordingly.

The new-facility landscape has numerous examples of pre-startup problems that weren't addressed: a new \$9 million USDA-approved facility in one state that was never occupied; a corporate site selection team that was disbanded halfway through the project; and arguments between a community and a company over incentives that led to the stonewalling of local permits.

After agreeing on the need for a new facility, a company should assemble a qualified team to determine the operating characteristics of the facility. Some of the most common considerations are labor, transportation and utility requirements; quality of life and environmental characteristics; project timing; and expected investment.

Careful planning throughout the entire site selection process is a necessity. Be sure to include not only goal setting and project definition, but the critical risk assessment step. This is the best assurance that if your new facility startup project makes the headlines, it will be because of its resounding success.

WEB DIRECTORY

Hampton Roads

www.hreda.com

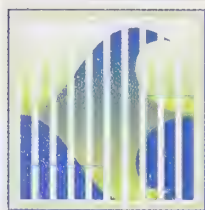
Pennsylvania Department of Community & Economic Development

www.newPA.com



The former president of PHH Fantus Consulting, Robert Ady has identified prime locations for more businesses in the U.S. than any other person. He has been quoted in the *Wall Street Journal* and the *New York Times* on topics such as global competition and business location trends. Ady International Company can help businesses work through all the stages of site selection, including risk assessment.





VIRGINIA'S
**HAMPTON
ROADS**
ECONOMIC DEVELOPMENT ALLIANCE

Fertile Ground for Business Expansion and Corporate Relocation

Whether your company is searching for wide open spaces, an existing industrial or office building, or a rail or port site location, Virginia's Hampton Roads can fulfill your business expansion or corporate relocation needs. Our metropolitan area of 1.6 million encompasses 13 jurisdictions in southeastern Virginia, and provides a wide choice of spacious sites and a full range of resources to support your growth. No other East Coast location can match our many assets:

STRATEGIC POSITION TO U.S. MARKETS

SECOND LARGEST EAST COAST PORT - 43 STEAMSHIP
LINES SERVING 250 PORTS IN 100 COUNTRIES

SKILLED AND READILY AVAILABLE LABOR FORCE -
15,000 EXITING MILITARY PERSONNEL
ANNUALLY

DYNAMIC - LARGER THAN TWO-THIRDS
OF THE WORLD'S NATIONAL
ECONOMIES

venues for
INNOVATION
& Imagination

C.S. "Chip" Hornsby
CEO, Wolseley, North America
Newport News, VA



Let us personally show you the many advantages of an address in Virginia's Hampton Roads. Contact the Hampton Roads Economic Development Alliance for complete information and assistance with your site selection needs.

www.hreda.com

500 Main Street Suite 1300 Norfolk, VA 23510 USA 757.627.2315

Duck Calls

Wooden decoys were designed to draw migrating waterfowl

Now they are attracting much bigger game. By Monte Burke

OH, FOR THE GOOD OLD days. Like that time in 1990 when Thomas K. Figge got wind of a dozen wooden duck decoys carved by master craftsman Bert Graves that were just sitting, unloved, on the mantel of a funeral home near Bloomington, Ill. A preacher had seen them during a memorial service and passed along a tip to one of Figge's "pickers." Putting on an old pair of dungarees and driving a beat-up Buick Le Sabre, Figge was there bright and early the following Sunday—"I wanted to make sure there was no service," he says—and bought the birds on the spot for a sum he refuses to disclose.

A year later he heard of an old lady near Decatur, Ill. with a Harry V. Shourds hissing goose. During negotiations for the bird the woman sweetly asked, "You wouldn't happen to know anyone in Chicago who has Bulls tickets, would you?" Four playoff tickets (and an undisclosed quantity of cash) later, Figge had his goose. In 1994 a couple in Bureau County, Ill. refused to part with a pair of Charles Walker mallards unless Figge also bought their 1976 Mercedes 450SL. What wouldn't he do for his decoy collection? Figge shrugs: "It grows on you like a sickness."

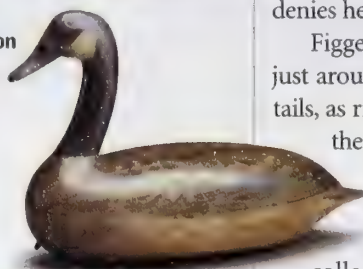
A decade ago that illness was sufficiently uncommon that he was able to amass one of the greatest decoy collections in the world, much of it on the cheap. He bought from other collectors and from descendants and widows of carvers, snapping up birds before they could hit the auction block. In the process he managed to disguise the fact that he's the son of V.O. Figge, who founded Davenport Bank & Trust,

an Iowa bank sold in 1991, for \$295 million, to what is now Wells Fargo. His props, including old Buicks and Oldsmobiles he took to buyers' houses ("I drove the paint off three of those bastards"), were all part of the bargaining act, a sort of collector's duck blind behind which he hid.

Now Figge, 60, must share the field with rich interlopers. Duck decoys are among the very hottest collectibles, says Nancy Druckman, director of American Folk Art at Sotheby's. Prices at the high end have doubled in the last five years and soared fortyfold in the past three decades.



Fanciful flock: mallards by Robert and Catherine Elliston (c. 1890); Ellistons' Canada goose (c. 1890); a pair of teals by Charles Perdew (c. 1945).



"My days of driving down old dirt roads and scooping up decoys are long gone," Figge laments. "Collectors have become very sophisticated and knowledgeable."

The major driver of that change was Figge himself. In 2000 in an auction cohosted by Sotheby's and Guyette & Schmidt, a decoy auction firm, Figge (via his agent) paid a record \$684,000, including a buyer's premium, for a preening goose carved by Cape Cod's A. Elmer Crowell. Three years later at an auction cohosted this time by Christie's and Guyette & Schmidt, Figge went head-to-head with billionaire hedge fund manager Paul Tudor Jones for a 1915 Crowell preening pintail. Tudor Jones reportedly left a maximum with his secretary, who was bidding by phone, thinking the price would never get that high. It did, topping out at \$802,000. (Figge still publicly denies he was the bird snatcher.)

Figge's comeuppance may be just around the next stand of cattails, as richer players lumber into the game, driving prices even higher. "The old decoy collectors are now having to deal with collectors who don't play by their rules," says Sotheby's Druckman. "The new guys are used to buying Winslow Homers." Among them Jerome Lauren, head of men's design at the clothier run by his brother, Ralph. Jerr collects weathervanes, toy trucks and other Americana. "I don't pretend to be an expert," he says. "But I love these things."

Wooden decoys—ducks, geese, shore



birds—were originally carved as hunting implements. Rigs of 6 to 100 ducks or geese were strung out early mornings on ponds and marshes as hunters hid behind blinds, hoping migrating flocks would see the decoys and come in for a landing or at least approach out of curiosity. The decoys

were never made to be exact replicas but to appear animate—that is, to look real from high above. Carvers from the Midwest, New England and the South made ducks that sat in the water, some with their heads up, some with necks preening backward, others that appeared to be sleeping. (Often

they were constructed of two halves, hollowed out for flotation, then nailed together.)

In the late 19th century on the Illinois River, which flows southwesterly through the state, decoys were carved by market gunners, who shot birds by the thousands and sold them to high-end restaurants like Chicago's Grand Pacific Hotel, which featured 20 species of game birds on its annual game-night menu. Charles Perdew, a carver from Henry, Ill., gathered wild rice from marshes and packed complimentary bags of it along with his dead fowl, which sold for 10 cents to 25 cents a pair.

Commercial harvesting of waterfowl all but ended with the Migratory Bird Treaty Act of 1918. But the carvers kept at their craft. "Decoys were made as utility pieces, designed to kill ducks," says Stephen O'Brien Jr., who owns an American-sporting art gallery in Boston. "But the hunters, who carved these in their spare time, expressed their artistic nature by creating pieces that combine sculpture and painting." Robert and Catherine Elliston guided wealthy sports at the Undercliff Hotel on Lake Senachwine, near Putnam, Ill. They also worked as a decoy-making team. Robert carved bodies out of white pine so precisely that he used glue instead of nails to attach the two halves; Catherine did the painting. When the birds come up at auction, they typically fetch \$100,000 apiece.

So do those made by Perdew. When he started carving in the early 20th century, his ducks had what were considered flaws at the time—thin necks that often

snapped when handled. Such flaws are now considered assets, and early Perdews are among the most coveted examples in the world. Older, rare decoys by Henry Ruggles and Stephen Lane are nearly unobtainable. Figge has dozens by each Illinois River decoy artist, as well as birds by

carvers from New England, the mid-Atlantic and the South, a collection worth an estimated \$5 million to \$10 million.

With the introduction of lighter and hardier plastics in the 1960s, old wooden decoys were retired: tossed in garages, left on the water or put up on mantels, mainly forgotten except by hunters who saw sentimental value in them. "When the old guys look at a decoy, somewhere in their minds they see it floating in the water, as part of a rig, as part of hunting," says Donna Tonelli, a decoy historian.

Figge took his cue from the older collectors, who usually went to the sources—widows, family members, even the carvers themselves—to build their collections. "When I was a young boy, while my friends were playing with electric trains and teddy bears, I was out collecting decoys," says Donal O'Brien, 71, former chairman of the National Audubon Society and part of the old guard, with shorebirds and waterfowl in his collection. Lloyd Tayloe Griffith (he gives his age as "seasoned"), a physician from Mount Holly,

Va., started amassing decoys because they reminded him of a bygone era when migrating wildfowl darkened the skies near his family's farm at the mouth of the Potomac River. "We never thought that would end, but it did," he says. "When I see a good decoy, I see all of those birds again."

tion was among the best, selling posthumously at the 2000 auction, a watershed moment in decoy collecting. A William Bowman curlew that McCleery had bought in 1973 for \$10,000 went for \$465,000. The total ticket for the two-day sale was \$11 million, surpassing the previous

For years decoys weren't considered art. Some folks thought it was akin to collecting bottle caps.

For many years decoys weren't even considered art by serious American collectors. Griffith remembers attending an art show and having to defend their status. "Some folks there thought it was akin to collecting bottle caps," he says. That lack of recognition didn't last long, thanks to a physician in Texas named James McCleery. Because of a childhood ailment he was confined to a wheelchair for most of his life. But he played out his passion for hunting with his keen eye for buying decoys, mostly in the 1960s and 1970s. His collec-

tion was among the best, selling posthumously at the 2000 auction, a watershed moment in decoy collecting.

Those rocketing prices have left some old-timers embittered. Griffith was recently outbid (he won't say for what) by Tudor Jones, who never comes to the auctions in person. "It becomes apparent why Tudor Jones' guys are pretty quickly," says Griffith. "Midas is a pauper compared to him." He reserves special animus for Figge. "The same old story of a rich man trying to conceal his avaricious nature," Figge brushes aside the rebuke. "They can go collect funny books if they want," he says.

Been there?
Done that?
You can do more at UMUC.
Still want more?

UMUC can help you do more for your life and career — as we have helped others for 60 years.

In class or online, earn the degree you need to go further and do more. Real life. Real lessons.



University of Maryland University College

For information and a free schedule of classes, call **800-888-UMUC** or visit **umuc.edu/mylife**

Stop Paying TOO MUCH for your Phone Service!

SAVE with the New Way to Phone!

- **UNLIMITED** Local and Long Distance!
- **FREE** Voicemail!
- **FREE** Caller ID with Name!
- **FREE** Call Waiting + Forwarding!
- **PLUS** Much More!

#1 New
Phone
Service



UNLIMITED
Local & Long Distance
Calling to Anywhere
in the US, Canada
and Puerto Rico
only
\$24.99/month

TRY 1 Month FREE!†

1-800-968-2450

– OR –

WWW.VONAGE.COM/FORBES

Keep
Your
Number†

No Annual Contracts, Commitments or Expiration Dates!

Free month offer is valid ONLY for the \$24.99 Unlimited Residential Plan. Not valid for \$14.99 residential or any business plans. Not included in monthly plan prices: broadband service charges, the service activation fee, regulatory recovery fee, taxes, and handling charges. International calls are charged per minute. Directory assistance and other premium services are additional charge. Credit card required. With Free First Month offer, you will not be charged the cost of the plan, but other charges will apply. Offer valid in US only, and cannot be used with any other offer. Other restrictions may apply. We reserve the right to immediately terminate and/or modify your service and applicable charges if we determine, in our absolute discretion, that your use of the service and/or device indicates auto-dialing, continuous or extensive call forwarding, marketing, fax/voicemail broadcasting or fax/voicemail blasting. Visit WWW.VONAGE.COM/FORBES for Terms of Service details. † Where available Vonago America Inc., a wholly owned subsidiary of Vonage Holdings Corp., provides our broadband telephone services. Vonage® and Vonage The Band Phone Company® are registered service marks owned by and used under license from Vonage Marketing Inc., a wholly owned subsidiary of Vonage Holdings Corp. Express written permission from Vonage Marketing Corp. is required to use any Vonage intellectual property. © 2001 - 2005 Vonage Marketing Inc.. All Rights Reserved.

Indian Summer

A newly acquisitive middle class plus a limited supply of canvases equals boom times for modern art

from the subcontinent. By Susan Adams

THE MEZZANINE AUCTION room at Christie's at Rockefeller Center was packed in September with well-dressed Indians ready to spend money. The day before at Sotheby's a smaller crowd had smashed the record for contemporary Indian art sold at auction, bidding \$397,000 for one canvas and racking up total sales of \$6.6 million.

Christie's sale was another order of magnitude. It included a 1997 painting by one of the country's superstars, Tyeb Mehta, a frail but enthusiastic 80-year-old with a mane of silver hair who had traveled from Mumbai to be present. The 5-foot-tall Mehta painting, "Mahisasura," inspired by a 5th-century Hindu myth, was at once violent and sexual, divine and mortal, vividly depicting an orange-and-black warrior goddess wrapping a red-and-gray buffalo demon in her lethal embrace.

Paddles flew and phones rang as the bidding climbed to \$800,000. Then two collectors—Rajiv Chaudhri, a New York hedge fund manager bidding by phone, and an Indian collector who had flown to the U.S. for the auction—battled the price higher. The room broke into applause as the auctioneer pronounced Chaudhri the winner at \$1.4 million. The net price was \$1.6 million with Christie's commission, easily trouncing the Sotheby's record from the day before and more than tripling the record for a Mehta work at auction.

Why is this market taking off now? The alchemy of a newly thriving middle class, hungry to express pride in its cultural heritage, and market visibility, fueled by gallery and museum shows and



Hotter than curry: "Trial," by M.F. Husain (above); "Mahisasura," by Tyeb Mehta (far left); "Kundalini," by S.H. Raza (left); "Untitled (still life)," by F.N. Souza (below).

auction sales. The vast majority of buyers in this market are of Indian heritage, from Bangalore software engineers to lawyers, doctors, entrepreneurs and venture capitalists living in the U.S. Most are relatively young—between 35 and 50 years old.

Mahinder Tak, 58, a Kashmir-born doctor living in Bethesda, Md., owns one of the largest private collections.

It's not surprising that the high price went to a work by Mehta—a painter and sculptor so meticulous that he destroys many of his completed works. Inspired by Western artists like Francis Bacon and Lucian Freud, he explores themes from



Indian mythology and frequently depicted underdogs—rickshaw pullers, trussed bulls. Along with a dozen other artists the same generation, including Maqbool Fida Husain (see box, p. 129), Mehta belongs to the Progressive Artists Group, founded in 1947, the year of India's independence, to create homegrown modern art.

Other Progressives, all of whose work now commands prices of \$100,000 or more, include Francis Newton Souza, Sayed Haider Raza, Ram Kumar and S. Gaitonde. Some of the group studied in Europe, and their work, to the Western eye, can at first appear derivative. But the vibrant colors and the stance of figures are uniquely Indian, drawing on the hues and poses of ancient Indian miniatures and sculpture. (The market for pre-independence art, mainly 19th- and 20th-century paintings displaying a strong British influence, is virtually moribund.)

After the unprecedented prices at Christie's, collectors and dealers struggled to get new bearings. "We suddenly realized that the rules of the game had changed," says New York gallery owner Deepak Talwar. "Ten years ago nobody would have paid \$5,000 for this work." Though prices did indeed rise over the last decade, in the past year they have doubled and tripled.

It was a native U.S. couple, the late Chester and Davida Herwitz of Worcester, Mass., who first put modern Indian art on the international map. Their business (women's accessories) took them on frequent trips to the subcontinent start-

ing in the 1960s. They amassed a collection of more than 3,000 pieces, 200 of which Sotheby's in New York auctioned off in 1995, fetching \$1.2 million. Many regard that sale as the kickoff to the current boom.

The remainder of the Herwitz collection resides at the Peabody Essex Museum in Salem, Mass., which has the only museum gallery in the U.S. devoted to modern Indian art. In New York the Asia Society and the Queens Museum jointly staged an Indian show earlier this year. In London the Tate is displaying 15 works by F.N. Souza. In Paris (through the end of the year) the Ecole des Beaux Arts is showing a group of young Indian artists.

The largest gallery outside India dealing in Indian artists is ArtsIndia, with locations in New York and Palo Alto, owned by Prajit Dutta, an economics professor at Columbia University. At two shows this fall Dutta sold almost every piece before opening night. The pool of buyers is expanding. "In the last year and a half," he says, "at least half of every show has sold to new buyers." He sells a lot of work online to buyers in India, who are after prices that haven't yet caught up to those in Mumbai or Delhi. "Our prices

are often two to three months behind," he says. Saffronart, a five-year-old online auction house with offices in Mumbai and New York devoted entirely to modern and contemporary Indian art, grossed \$18 million in the last year, says owner Dinesh Vazirani, 38, a Harvard M.B.A. now living in Mumbai.

While the older generation of post-independence artists commands the highest prices, some younger ones, including Atul Dodiya, 46, have fetched more than \$100,000. Atul's wife, Anju Dodiya, 41, and Chittrovanu Mazumdar, 49, have both broken \$75,000; paintings by Shibu Natesan, 39, and Subodh Gupta, 41, command \$50,000-plus.

Froth or substance? Hedge fund manager Chaudhri thinks basic economics augur favorably: Compared with the amount of Western art sloshing around, India has a relatively small body of post-independence work. Even if the buyers are mostly Indians themselves, that's a potentially huge pool in a country with a population of more than 1 billion, a growing middle class, a thriving diaspora and a GDP that rose more than 7% annually for the last two years. "A supply-demand mismatch," Chaudhri calls it. **F**

The Picasso of India

NO SOONER WERE COLLECTORS OF CONTEMPORARY Indian art getting used to \$1 million canvases in September than the record was again shattered, this time in a \$2 million private sale to a London buyer on Oct. 4. The artist, M.F. Husain, has been called the Picasso of India. A flamboyant, prolific 90-year-old who favors bare feet and Hermès suits, Husain had staged a solo exhibition of 21 newly painted oils, first in London and then in Singapore, underwritten by international financial powerhouse UBS in conjunction with Calcutta's Galerie 88.

Before the Singapore show opened, a London collector bought a painting called *The Last Supper*, a colorful interpretation of the iconic scene, which dramatizes world



Fancy footwork: M.F. Husain, age 90.

hunger by showcasing an empty white bowl. Unlike his exacting peer Tyeb Mehta, Husain produces hundreds of artworks a year. Husain's subjects vary wildly, from Hindu goddesses to

horses to Bollywood star Madhuri Dixit, whom Husain adopted as his muse during the 1990s and featured in his artwork and in a film he made and reportedly financed for \$5 million. Husain has no studio, preferring to work wherever he is, including hotel rooms he freely spatters with paint, settling the bill when he leaves.

An audacious dealmaker, Husain has refused to commit to any one gallery, instead setting his own prices. In 1997 he declared his work would cost \$100,000, even though no prior piece had ever sold for more than \$50,000. "I said, just let me gamble," recalls Husain. He got his price. At the UBS show he declared he would sell no work for less than \$1 million. Husain, who had a bypass operation 15 years ago but is otherwise strappingly healthy, spares no expense on self-promotion. He has built four Indian museums to contain his work. "My bank balance is always zero!" he laughs. —S.A.

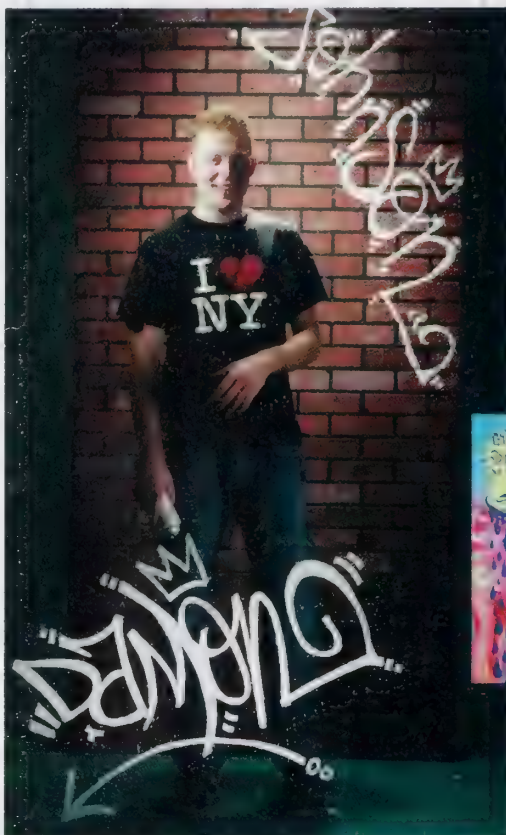
The Selling of a Bad Boy

How do you market a hot young painter who has a rap sheet and an aversion to art dealers? By Dirk Smillie

ON THE WALLS OF Manhattan's Mark Murray gallery, home to European masterpieces, was a jarring sight: a dozen renderings of skulls dripping blood and giant moths carrying decapitated human heads. Nightclub owner Christopher Barish gazed up at the canvases. "Wouldn't these look amazing with our Lichtensteins?" he asked his wife, Michelle. "Or next to the Hockney," she countered with a grin.

This winged invasion was led by 6-foot-4 Damon Johnson, a 27-year-old artist—and son of Richard Johnson, editor of the *New York Post's* Page Six gossip column. Johnson's shtick is hand-drawn pixilation, a kind of digital pointillism on canvas. He uses stencils to lay in *Mad* magazine-inspired cartoon heads alongside images of pimps, prostitutes and friends overdosing on drugs. "Damon's work isn't exactly designer friendly," says Douglas Dechert, a publicist, frequent Page Six contributor and Johnson's manager.

How did a kid who grew up in Croton-on-Hudson, a wealthy New York suburb, become conversant with pimp culture? "Some of my craziest friends became graffiti taggers to rebel against their privileged lives," says Johnson. He and his crew spent late nights traipsing through seedy neighborhoods in the Lower East Side and the Bronx to scout tagger-friendly targets. His art career started at age 13 when he stole a dozen cans of spray paint from a hardware store, broke into a historic 19th-century wine cellar and festooned it in black and green. He held a string of jobs after high school: bouncer, bartender, construction worker, record promoter and marketer for a furniture-design company. By night he hung out in rail yards, battled rival tag-



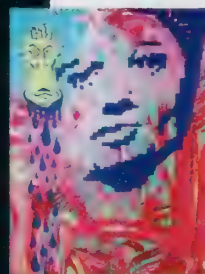
"Not exactly designer friendly": Damon Johnson.

gers and was chased by cops. His worst legal run-in came on his 23rd birthday. After gobbling a handful of "mystery pills" on top of booze, he staggered out of a Brooklyn bar carrying a pitcher of beer. He was stopped by police, and in an ensuing scuffle punched a cop in the face. He was charged with disorderly conduct and resisting arrest. The charges were dropped after he enrolled in a 28-day drug rehab program. "It was a horrific experience," Damon says now. "But it made me redirect my energy to painting." He earned his undergraduate degree in fine arts from New York University in 2000.

This month Damon has a coming out of sorts at a welcoming party at the Versace mansion for attendees of Art Basel Miami Beach, the biggest contemporary-

art fair in North America. Such scenes attract big bucks looking for fresh talent. An estimated 50% of those who buy contemporary work at the high end of the market are Wall Streeters taking cues from collectors and pushing up prices. "It's like dominoes," says English portraitist Clare Shenstone. "You can get one major collector to buy a piece, other buyers will follow suit."

Just what Dechert has in mind. But to reach collectors, this pair is bypassing a critical link in the career of an artist: the dealer. Instead they're pitching collectors directly via restaurants, nightclubs and, soon, the label of a limited edition whiskey. By cutting out the dealer,



Johnson gets a larger slice of the pie. In the last year he sold eight paintings directly to New York restaurateur Nello Balan, grossing an estimated \$12,000 minus 15% to Dechert, compared with up to 50% for a dealer.

A fast start for a fledgling artist, but at what cost ditching the middleman? "Dealers are like sommeliers," says Stephen Brandman, chief operating officer of Thompson Hotels in New York who owns Johnsons and Mapplethorpes. "They know your taste buds, and they know why an artist's work is better one year over another. If you're buying art more as an investment than an indulgence, your batting average will be better with a dealer."

Johnson has other problems, like finding a place to paint. He was evicted from his Brooklyn apartment this summer; his temporary studio is his mother's basement, but its ceiling is so low he can't stand up. Not that such misfortunes ever hurt an artist's market appeal.

PLEASE INFORM WEBSTER'S IMMEDIATELY.

CORNERING HAS BEEN REDEFINED.



SH-AWD



While cornering, the outside rear wheel is accelerated to help steer the vehicle.

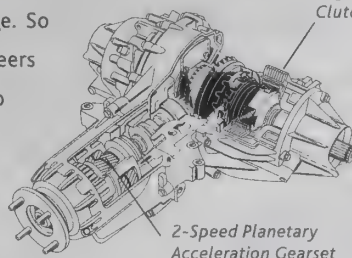
LEFT SH-AWD RIGHT
LRI FRI LRI FRI

With the real-time display, you can check the distribution of power to all four wheels at all times.

To the average person, it is just another noun. But to driving enthusiasts, cornering is one of the most compelling words in the English language. So when the Acura engineers developed a way to dramatically improve handling, they named it Super Handling All-Wheel Drive.™ But you can call it the world's most advanced all-wheel-drive system. Because it is.

Thinking outside the wheel. Super Handling All-Wheel Drive, or SH-AWD,™ is the only system capable of accelerating the outside rear wheel in a turn. In other words, when you power through a corner, up to 100% of the available rear torque is sent to the outside wheel. Which is then further accelerated through its patented 2-speed planetary gearset to produce a turning force that actually helps

steer the vehicle. SH-AWD also provides unsurpassed control and stability in all weather conditions. Both wet and dry.



SH-AWD creates a steering effect similar to turning a rowboat by moving one oar faster than the other. It's a simple idea. Only in this case, the effect is achieved by calculating yaw, g-forces, engine speed and steering-wheel angle.

Steering is believing. All this translates into revolutionarily responsive handling and superior traction. Super Handling All-Wheel Drive is just one of countless innovations that define the Acura RL as the quintessential luxury performance sedan. Which is just one more reason

why our friends at Webster's need to update their latest edition.



ACURA

Repair Job

A home makeover at **HOME DEPOT (42. HD)** is starting to pay off. General Electric alumnus Robert L. Nardelli did a huge store face-lift—better lighting, signage and a new range of appliances to win back women who ditched Depot for archcompetitor Lowe's. Soon after taking over in December 2000, Nardelli tripled Depot's share of the \$24.3 billion home appliance market to 9%.

With the U.S. retail home improvement sector saturated, Nardelli since 2004 has plowed \$2 billion into acquisitions. He's expanding abroad, opening 21 stores in Canada and Mexico so far this year. To attract commercial contractors, some of whom resent tripping over weekend amateurs in the orange stores, Nardelli is keeping some recently acquired construction supply firms (like White Cap Construction) as stand-alones operating under their own brand names.

Earnings for 2005's first three quarters rose 15% to \$4.5 billion on \$62 billion in sales, which rose 10%. Depot's same-store sales growth was a decent 3.3%, though that fell short of Lowe's 5.5%. Depot stock changes hands at 16 times trailing earnings, or 25% cheaper than Lowe's. Morningstar analyst Anthony Chukumba, otherwise a Home Depot bull, notes Lowe's still has a superior store format. Even with home buying slowing, the home improvement market is expected to grow 4% to 5% annually through 2010. People want to fix up what they've got. —Miriam Gottfried



Chemical Reaction

Natural gas, a key resource for chemical companies, has doubled in price over the past year. For a while that hurt stock in Eastman Chemical, which fell from \$61 last March to \$45 in September. But now **EASTMAN CHEMICAL (56. EMN)** is back.

When Hurricane Katrina shut down rival plants making polyethylene for plastic, shortages developed. Eastman's plants were untouched so it filled the gap and raised prices 14% to offset higher energy costs. Fulcrum Global Partners' analyst Frank J. Mitsch also likes its thriving business in the fibers for cigarette filters; Asian demand is strong for them. Through Sept. 30 earnings jumped 323% to \$491 million on sales of \$5.3 billion, up 8%. To Mitsch, Eastman is still a bargain at 8 times earnings, versus the industry average of 20.

—David Armstrong



Bad Hair Day

Hair care giant **REGIS CORP. (41. RGS)** has seen earnings snipped 12% in the October-ending fiscal first quarter to \$22 million, after a 38% drop in the recent full fiscal year. Same-store sales growth is a mediocre 0.7%, not enough to make up for increasing labor and occupancy costs. So the stock has taken a 15% haircut from its December 2004, 12-month high.

The problem: a prolonged long-hair trend, as women got fewer cuts. That's ending, says Sharon Zackfia, analyst at William Blair. Regis, a Goliath in a fragmented industry, now will add bounce and luster, she feels. With high-end (Vidal Sassoon, Regis Salons) and low-end (Supercuts, Cost Cutters) banners, plus one for baldies (Hair Club for Men & Women), it trades at 18 times earnings.



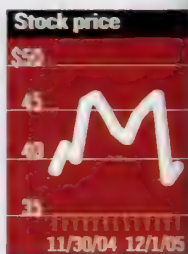
—Tatiana Serafin

Kitchen Confidential

AMERICAN STANDARD (39. ASD), maker of kitchen and bath fixtures, plus Trane air-conditioning systems, has benefited from the housing surge. Sales through Sept. 30 were up 8% to \$7.7 billion, and earnings rose 23% to \$492 million. The stock is inching back after a 17% dip in October, when the company reduced its 2005 profit forecast. Amid rising rates, that slide was a portent.

There's already sluggishness in American Standard's core kitchen-and-bath segment. Joseph Parnes, editor of investment newsletter *ShorteX*, also questions a costly plan to expand into residential air-conditioning from its commercial base. Residential is dominated by United Technologies' Carrier unit. At a 21 multiple, American Standard is a bit pricier than the industry's 18. Short the stock.

—Daniel Kruger



UNLESS YOU OUTSOURCE
WITH HEWITT.



The Integrity Premium

WHAT WOULD THE S&P 500 BE TRADING AT IF WE had complete confidence in corporations' audited numbers? A lot higher than 13,000. Post-Enron, post-WorldCom, a pall of uncertainty envelops financial statements. There's what you might call the murkiness discount. You expect this kind of hair-cut in Shanghai or Rio, but we have it, too, right here in America. That isn't bad enough by itself to trigger a bear market. But this makes the stock market worth less than it otherwise would be.

The quality of corporate audits has imploded as the government has fostered a collusive auditing oligopoly that is now fully global. There is simply no real competition among auditors anymore. With very few exceptions the auditor of almost any public corporation can't be fired and replaced. Scott Paper just switched auditors but had a heck of a time. It is virtually impossible. As in any other field, an absence of competition begets a deterioration in quality. Today's corporate-audit quality is a joke. This despite the big fuss Congress made over restoring integrity with the Sarbanes-Oxley law.

Remember the Big Eight and a national array of smaller auditing firms competing regionally? By 2002 a merger wave had shrunk eight to five. Just two regionals, with a combined 1% market share, did any significant number of audits of public companies: BDO Seidman and Grant Thornton. Then the government, in its infinite wisdom, decided that since Arthur Andersen employed one or two bad auditors, the entire firm should be destroyed. Now we're down to four big CPA firms, and one of them, KPMG, is getting a lambasting from the IRS. So we sort of have the Big Three and a Half.

What does that mean? No competition. You can't float an offering today without a Big Four audit. PricewaterhouseCoopers, Ernest & Young, Deloitte & Touche and the wounded KPMG audit companies that account for 99% of this country's stock market capitalization. In Germany, New Zealand, Norway, Finland and Spain, two of these four have more than 75% of the auditing market. That concentration is also the case within the U.S., in many industries. Usually in a city the audit partner for a particular industry who works at the biggest auditor is a longtime buddy of his counterpart at number two. They

talk. They earn their competitive spirit.

In any other field the government would break the foursome into the Big Fourteen. We'd have Touche competing with Delo and Delo with Itte. Not here. The regulator of the auditing industry, the Public Company Accounting Oversight Board, fixes the rules and confined marketplace. Because the oligopoly isn't going away, you should focus on stocks that are good enough and cheap enough that you can be comfortable with them despite zero ability to believe in audited profit-and-loss and asset-and-liability accounts. Here are a few I like.

Germany's midsize pharmaceutical firm, **Schering AG (65 SHR)** is ripe for acquisition. At 18 times this year's earnings it is cheap enough to be acquired while increasing the acquirer's earnings per share. It is one of the few good-size firms without a Big Four auditor. (It uses a German affiliate of BDO Seidman.)

Quest Diagnostics (SI, DGX) is top dog in America's clinical lab

In any other field the government would break the foursome into the Big Fourteen. We'd have Touche competing with Delo and Delo with Itte.

testing market, doing 250 million lab tests yearly. It has the world's largest private database of clinical test results, nearly 2,000 service sites and 400 M.D.s and Ph.D.s on its payroll. This market is fragmented, and Quest is starting to reap relative economies of scale in operations and acquisitions as a consolidator, fostering further growth. It also has a P/E of 18.

Eaton (65, ETN) is a diversified electrical equipment manufacturer with heavy exposure to autos and trucking. Cheaper than most peers, it is also extremely well run. Growth is

modest, but the price is more so at 12 times this year's earnings and 90% of annual revenue. The yield is 1.9%.

Canada's **Manulife Financial (58, MFC)** is North America's second-largest life insurer and does health insurance, pensions, mutual funds and more (including annuities, which are good for the insurer even if they are terrible products for the buyers). If you haven't heard of Manulife, you surely have heard of its U.S. subsidiary, John Hancock. This life insurer sells at 14 times 2000 earnings and will either get the stock up or be taken over soon. Dividend yield, 1.7%.

I recommended **Brinks (47, BCO)** on June 6 at \$32, saying it was a likely takeover target. With the stock up it is no longer cheap enough to be acquired and boost the acquirer's earnings per share. So I'd not hang on, but sell. Just so with **Polo Ralph Lauren (54, RL)**: same column, same issues, same conclusion. **Flowserve (39, FLS)** from Jan. 31 is another, just up too much. Be gone.

Forbes

Kenneth L. Fisher is a Woodside, Calif.-based money manager. Visit his home page at www.forbes.com/fisher.

WE'D LOVE TO CATCH YOUR VIRUS.

Seriously.

Here's why. E-mail security has gotten out of control. Viruses, malware, spam, spyware, pornography, updating, user licensing. It's an expensive and endless headache. And the stakes are getting higher every day. Today, 8 out of 10 businesses get hit.¹ And e-mail viruses alone are responsible for more than \$10 billion in lost productivity.²

It's time this problem got solved. Not just for big businesses, but for any size business. Not just for this platform or that. And not by making already overworked IT people run CDs from PC to PC during virus frenzies. It's time for something new.

It's time for e-mail security as a service.

Getting e-mail security from IBM is now as easy as getting cable TV. You call IBM or sign up on the Web, and IBM does the rest.

Starting at \$1.80 per e-mail address, per month, the IBM Express e-mail security service filters out spam and intercepts viruses, pornography and malware *before* they ever get to your network. And, because it's a service, you don't have to buy, upgrade or manage any software or hardware.

Security goes from chronic fear to IBM-grade reassurance. Licensing and upgrades become a thing of the past. So do unplanned costs. Three less things to worry about. Just like that. For any size company.

Soon, everyone will buy security as a service. To help you get there, you can try IBM Express e-mail security service at no charge for 30 days.³

To learn more, call 1-866-264-5719 or visit ibm.com/businesscenter/security29

30 DAY TRIAL. CALL 1-866-264-5719



Yes, But



James Grant

rest substantially below the rise in the Consumer Price Index for the 12 months to October (4.7%).

When interest rates were falling and inflation was subsiding for most of the past quarter-century, the reputation of the world's central bankers was inflating. No more the bungling authors of the Great Inflation of the 1970s, the likes of Trichet (and, of course, Alan Greenspan) were triumphantly rehabilitated. In April the government of France was able to borrow for 50 years at 4% in euros, a currency that has been in physical existence for only four years. Has any prettier compliment ever been paid to a steward of paper money?

"Monetary policy needs to be forward-looking," said Rachel Lomax, deputy governor of the Bank of England, in a March speech, "because interest rates act with a lag. No monetary policymaker can avoid taking a view of the future." The British central banker's words sum up the difference between Warren

Buffett, appraiser of values, and Alan Greenspan, stargazer.

Instead of guessing about the future, value-minded investors observe the present, in company-specific terms: What is a business worth? What does it own, and what does it owe? What does it earn? They invest in what they can see, not in what they imagine they can predict.

The world over, measured inflation rates are running neck-and-neck with nominal interest rates. It's a race that interest rates are bound to

lose. At the very least, no saver listening carefully to the noises emanating from governments and central banks can harbor much optimism about earning a satisfactory inflation-adjusted rate of return.

This fact helps to explain the broadening reach of the bull market for gold. In recent months bullion has raced to new highs in terms of yen, euros and dollars. Even as bondholders continue to settle for pygmy-size yields, a much smaller cohort of investors is choosing to exit any and all currencies in favor of the legacy monetary asset, gold.

If the majority ruled in investments, the nod would have to go to the bondholders. But not infrequently in markets it's the enlightened minority that carries away the prize.

As for me I continue to buy Krugerrands—South African gold coins—and salt them away in a safe deposit box. My hope is that, mushroom fashion, they will thrive in the dark. I am speculating, of course. Gold has no price/earnings ratio. Nevertheless, I draw comfort from the knowledge that I'm speculating against those government employees called central bankers. **F**

Wimping Out

DON'T RAISE RATES, OR ELSE. ALMOST THOSE VERY words were recently hurled at a central banker by a politician. Creditors of the world should be afraid for their capital. Hidenao Nakagawa, policy chief of ruling Liberal Democratic Party, happens to be Japanese, but he spoke for politicians everywhere. Yes, Japan's statesmen will say, they revere their nation's scientifically managed and politically disinterested central bank. Still, they would revere it not one whit less if the central bank forbore from raising interest rates.

When the Bank of Japan issued a warning recently that it is preparing to tighten policy, Nakagawa let fly. "The bank has no independence when it comes to policy targets," he said. "If it does not understand this, we need to consider amending the Bank of Japan law." To many Japanese politicians, including the prime minister himself, the world's second-largest economy is too feeble to bear the burden of an overnight interest rate even a little higher than the currently prevailing 0%.

Political pressure on central bankers comes from all sides, even from the Grand Duchy of Luxembourg. In late November the Luxembourg prime minister, Jean-Claude Juncker, put a question to the president of the European Central Bank, Jean-Claude Trichet. The latter had announced that the bank was going to raise the current 2% rate (which he did on Dec. 1, to 2.25%).

Come again? demanded Juncker, who sits at the head of a council of 12 European finance ministers. The 2005 surge in oil prices has induced no spike in wages and nonenergy prices, Juncker observed.

Whereupon Trichet, in testimony before the European Parliament in Brussels, seemed to wobble. Yes, the rate might go up once or twice, the central banker said, although probably not a lot more. Trichet extended this olive branch even though European inflation and European monetary growth are both running above the bank's guidelines: 2.5% versus 2% and 8.5% versus 4.5%, respectively.

And as in Japan and Europe, so in the U.S. Just before Thanksgiving the Federal Reserve indicated that it might be nearing the end of its own rate-raising campaign. If true, the overnight money market interest (now 4%) would come to

**Politicians
are pressing
central bankers
worldwide to
limit rate hikes,
though inflation
is on the march.
And the bankers
are caving in.**

Forbes
MAGAZINE

James Grant is the editor of *Grant's Interest Rate Observer*. Visit his home page at www.forbes.com/grant.

FORBES

COLLECTOR

FREE TRIAL SUBSCRIPTION!



A Closer Look

Greetings from snowy New York! Sorry the letter is a tad late this month, I've been on the road doing the Florida art fairs (Report on page 7). In the meantime, the new auction season has rolled into motion. I'm sure you've read about the latest Kennedy liquidation. While not the landmark event that Sotheby's first auction of Jackie's stuff was in 1996, this three-day tag sale still brought out diehard fans happy to pay a premium for a personal slice of Camelot. Case in point: A JKO monogrammed plastic trunk used to hold her horse rack sold for \$39,000 (est. \$800-\$1,200).

I always want to caution collectors about celebrity provenance. In the Kennedy realm, items most likely to appreciate significantly are those closest to presidential history. The real? Gambling on souvenirs. Speaking of historic documents, a new collecting field was born this month at Christie's in a sale called "The Origins of Cyber Space." A 1946 document outlining plans for the development of electronic computers sold for \$72,000. Stay tuned.

—Maisy Sullivan

BUYING SMART

Contemporary Photography



Cindy Sherman was one of the first photographers to show her work in a contemporary art gallery as opposed to a photography venue. Her seminal Untitled No. 62, one in a series of only ten, sold in November 2004 for a record \$478,400.

When I speak to really seasoned collectors, one who has been at it for 50 years, they always tell the history of their field in terms of the landmark private collectors that seem to go on. This was on about those collectors usually a generation ahead, whose collection was usually a generation ahead, whose stuff they seriously coveted. Stuff that, when it finally came to market, achieved record prices and gave the field a lasting reflected glow. With old master drawings, it was the Chateaufort sale. With old master drawings, it was the Chateaufort sale.

For the rest of the evening, the first auction of photography (this and beyond, the first auction of photography) hit the auction block only last November. Called "Veronica's Revenge," the reason for the photograph to go into the sale featured photographs

work in the 1960s and '70s, acquired by Belgian Business Marion Lambert. Well before this stuff was considered interesting and worthy. Originally the collection was to have hung in her family's corporate headquarters. But according to the business, a more row-minded businessman didn't like Larry Clark's

"Tulsa" portraits with puns and shooting opium. Maybe the gentleman didn't like Larry Clark's "Tulsa" portraits with puns and shooting opium. Perhaps he objected to the in-your-face pictures of Barbara Kruger, whose advertising inspired images come boldly emblazoned with anonymous like "You are an experiment in terror." Might he have objected at Matthew Barney's weird, creepy, stuffed animal portraits of Mike Kelley?

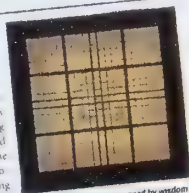
With the corporate home moved, and no interested

—Richard M. Day

COLLECTOR'S EYE

Art Quilts

Like many craft-based art forms, quilting can be weighed down by its history. Think quilts and you think beds. Think quilt designs and you envision center stars and dovetail wedding rings and log cabins. But since the 1970s, many artists have looked at quilts and quilts. But since the 1970s, many artists have looked at quilts and quilts. But since the 1970s, many artists have looked at quilts and quilts.



Kyung Ah Che's "Agate," covered by a quilt, incorporates knotty shivers of pine into her geometric design.

—www.artquilt.com

Start your **FREE 3 month** trial subscription today!

Visit www.forbesnewsletters.com/collectorinvite

THE FORBES COLLECTOR

THE INSIDER'S GUIDE TO BUYING SMART



The Coming Bernanke Bust

FEDERAL RESERVE CHAIRMAN ALAN GREENSPAN LEAVES the job on Jan. 31 with godlike status. His adoring fans call him the Maestro. Even the normally staid British got swept up in the Greenspan worship and gave him an honorary knighthood. Succeeding such an acclaimed figure would be tough for any mere mortal. For the next chairman, Ben S. Bernanke, it will be especially hard, since Bernanke lacks many of Greenspan's advantages.

Greenspan is a master politician, while Bernanke has a lot to learn about surviving and thriving in the Washington jungle. Greenspan stayed on for so long because he skillfully avoided fights with Congress and the White House. His public statements are masterpieces of obfuscation; he can't be pinned down. His ad hoc approach to monetary policy is indefinable, allowing him to foster the notion he is clairvoyant. He sagely refuses to name an inflation target, thus giving himself wide leeway when statistics jump around.

Bernanke, though certainly smart, has served only three years as a Fed governor and six months as President Bush's chief economist. The academic politics he faced as chairman of Princeton's economics department pales before the challenges he will encounter as Fed boss. What evidence has emerged from his brief time on the national scene is revealing. In a jarring November 2002 speech he suggested that the Fed could drop money out of helicopters to stop deflation. That comment has now created news coverage that no central banker wants.

As clear as Greenspan is obscure, Bernanke wants to set an inflation target (perhaps 2%) and wrote a book on that subject. The problem with such a rigid formula is that it might conflict with the Fed's legal requirement to promote maximum employment and stable growth. Because Euroland's inflation is higher than the European Central Bank's 2% target, the bank can't cut interest rates to help its stagnant economies and, indeed, increased rates Dec. 1.

Bernanke's earlier public statements may box him in. His vociferous concerns over deflation and worries about a jobless recovery may force him into excessive hawkishness on inflation. In October he said that "a moderate cooling in the housing market" would not

preclude economic growth in 2006. That statement will haunt him once housing crashes.

Greenspan, blessed with plain old good luck, reigned while inflation was unwinding, so he spent most of his time lowering rates. Easy money makes people happy. After he took over in August 1987, Greenspan enjoyed an expanding U.S. economy that had just two recessions, both mild. The strong economy helped him surmount his first test, the October 1987 market crash. Buoyed by growing earnings, stocks quickly recovered.

His strategy has been not to prick bubbles but to wait until they break, then clean up the mess. Greenspan did nothing to curb the stock speculation building in the late 1990s. Massive monetary ease before and after Sept. 11 kept speculation alive despite the bear market. Aided by non-Fed actions like exploding government spending, speculation simply shifted from stocks to real estate.

The incoming Fed chairman is going to suffer a housing slump and a recession. The place not to be: those now-hot foreign stocks.

The cruel irony is that Greenspan deserves a lot of the blame for the impending housing debacle, yet Bernanke will take the heat. The bursting of the housing bubble that's now beginning will bring a painful U.S. recession. Like King Louis XV, Greenspan's attitude may well be: *Après moi, le déluge.*

Coming after earlier stock losses, house depreciation will leave consumers with no piggy bank with which to support their consumption habits. Their 25-year borrowing-and-spending binge will be replaced by a saving spree. The big losers will be foreign lands that depend on American consumers to buy their surplus goods and services.

This scenario is beginning to unfold just as U.S. investors are stampeding to foreign stock markets, chasing the rallies that overseas bourses have lately been relishing. Some U.S. advisers are recommending a 33% allocation to foreign stocks, up from 20% two months ago. At current rates U.S. investors in 2005 will put \$100 billion into mutual funds offering foreign stocks. Such a sum is equal to the flow into U.S.-only funds, which last year got twice what international funds did.

But investors are probably catching foreign stock caboodles, not locomotives. The dollar, which I think will keep climbing (with help from Fed rate increases), is eroding overseas stock gains. When U.S. consumer-spending weakness is felt globally, export earnings and economic activity abroad will nosedive and murder foreign stocks. Best advice: Unload your foreign equities now on all those bullish latecomers. Start first with the exported Asia tigers, especially China. They'll suffer the most. **F**

Forbes

A. Gary Shilling is president of A. Gary Shilling & Co., economic consultants and investment advisers. Visit his home page at www.forbes.com/shilling.

ACTIONS •creating• VALUE

Our Companies:

- *Coca-Cola FEMSA. The world's largest Coca-Cola bottler, outside the United States.*
- *FEMSA Cerveza. The brewery with the strongest beer brand portfolio in Mexico.*
- *FEMSA Comercio. Biggest and fastest-growing convenience store chain in Mexico.*



More than 110 years
building a successful
business culture,
centered on the
generation of economic
and human value.

**BEST
EMPLOYERS**
2008



Operating Income has risen
at a compound Annual
Growth Rate of

19.5% FOR THE
LAST 10
YEARS
(1992-2001)

FEMSA
Latin America's Beverage Leader

**FMX
LISTED
NYSE**



FEMSAUBD

INVESTOR RELATIONS: ALAN ALANÍS / EMILY KLINGBEIL (52.81) 8328.6167

CORPORATE COMMUNICATIONS: JAIME TOUSSAINT / CAROLINA ALVEAR (52.81) 8328.6046

www.femsa.com



HOW TO FOIL

PICKPOCKET

There are all kinds of pickpockets in this world. Protect yourself by keeping all valuables out of sight. Be alert in crowded areas and carry the American Express® Card. If you lose your passport, we'll assist you in replacing it. We'll also replace your Card if it's stolen or wire you cash in a travel emergency, 24/7. It's a world of service that makes a world of difference. TO APPLY, CALL 1.800.THE CARD OR JUST VISIT 800THECARD.COM TO LEARN MORE.



A WORLD OF SERVICE™



On, Fido!

These sled dogs probably couldn't keep up with Donner and Blitzen, but they are man's best friend, for anybody traveling to the northernmost state in the U.S. By James M. Clash

ON THANKSGIVING DAY 2002, while most of my friends enjoyed turkey dinners at home with their families, I sat shivering in a tiny Chinese restaurant called Sam & Lee's in Barrow, Alaska. I showed down on Mongolian beef. Nobody else was in the place, and nothing else in town was open.

The temperature outside was a few degrees below zero. "This time of year it's usually 25 below," said John Tidwell, my tour guide. "We're having a warm spell." Earlier his company, Alaskan Arctic Adventures, had taken me on a 20-mile dogsled run across the tundra. While I didn't do much besides sit, shivering works up an appetite.

To get to Barrow, 330 miles above the Arctic Circle, I had flown Alaska Airlines from New York to Anchorage, stopping long enough to lunch with Norman Vaughan at the Hotel Captain Cook.

Vaughan is one of Alaska's premier explorers. From 1928 to 1930 he participated in Admiral Richard E. Byrd's polar expedition that established the first U.S. base—Little America—in Antarctica. In recognition Byrd named a mountain after him. In 1994, when Vaughan turned 89, he traveled to Antarctica to climb it, landing him on the David Letterman show.

What interested me most was Vaughan's participation in the Iditarod, the annual 1,150-mile-long dogsled race from Anchorage to Nome. He never won

it but competed in 13. "You'll see, those huskies are smart," said Vaughan, whose dogs helped save his life once by relentlessly sniffing out the trail when he veered off it for a few days during the 1975 race.

From Anchorage I flew north to Fairbanks, then up to Barrow. After deplaning in the daytime darkness (at 71 degrees north latitude, the sun is hidden from mid-November to late January), I checked into the King Eider Inn, across from the airport. When I asked where I could get a drink, the proprietor laughed. Since 1995 the town of Barrow, which has a population of 4,700—nearly two-thirds Inupiat Eskimo—has been dry.

The next morning I met Tidwell in the hotel lobby. While the sun wouldn't rise,

JOIN THE CEO NETWORK ON **Forbes** com

Join the nearly 8,000 senior executives from around the globe who have restricted access to unique and critical content, discussion boards, chats and polls.

Membership in the CEO Network is complimentary to qualified applicants.

Email ceoinvite@forbes.net to request your membership invitation.

Sponsored by



Life | THE ADVENTURER

the southern sky did lighten from 11 a.m. to 3 p.m., so we timed excursions accordingly. The plan was first to search for polar bears near the sea, later to go dogsledding. Our heated vehicle—an ATV fitted with kevlar tracks to navigate in the snow—served as transportation to Point Barrow, 12 miles away and the northernmost piece of land in the U.S.

As we neared the Point we spotted a yellowish polar bear munching on a whale carcass. As soon as she spied us she took off. At perhaps 7 feet and 600 pounds, the beast was menacing but beautiful. We watched with binoculars for a few minutes until she gracefully disappeared behind some icebergs three-quarters of a mile away.

We climbed out of the vehicle and had a quick look around. As far as the eye can see from Point Barrow, flat tundra stretches to the south. To the north is the Arctic Ocean, thick with icebergs. It was incredibly quiet, except for an occasional wind gust whipping between bergs. We bent over to inspect the fresh polar bear tracks; I could fit three of my hand prints into one paw print.

Next it was back to town to catch the dogsled team. The huskies, ages 18 months to 9 years, barked and yelped with excitement at the prospect of a run. One pup, Amy, got so impatient that she chewed through her harness while we were busy piling on all the extra warm clothes we could find. Once the dogs were harnessed, we were off, I in the sled and my guide standing on the back.

It's a surprisingly smooth—and fast—ride. At the 15mph cruising speed any exposed skin quickly turns numb. We yelled commands to keep the dogs on a safe path, away from crevasses and weak ice. "Haw!" and the dogs turned left; "Geel!" and they veered right. There was no whip. The huskies were trained to react to the sound of the human voice, and they did so—precisely, and in unison.

The dogs are naturally suited for different positions within the pack, and it is evident where, even when the dogs are pups. Lead dogs tend to be the most adventurous; middle dogs are the intro-

But just imagine it in summer:
liquorless Barrow, Alaska.



verts; and the dogs closest to the sled are the strongest.

After our two-hour tour I was invigorated and hungry enough to think that a Chinese beef dish was as good as any stuffed turkey. Jet lag woke me the next morning at 5 a.m. When I looked out my window I could see the stars for the first time (it had been overcast since I had arrived). Outside, away from the orange streetlights, I lay on my back in the snow and watched overhead the eerie green, undulating wisps of the northern lights.

A few hours later, when I was headed to the airport, I took a gander at the signpost with distances from Barrow to places around the globe. The South Pole is 11,190 miles away, the North Pole 1,311 miles. The sign says New York is 3,380 miles away, but it felt much, much farther. **F**

Essentials

► Barrow accommodations: King Eider Inn 907-852-4700; standard single room, \$150 in winter; \$180 in summer

► Mushing season: November to May

► Barrow tour operator: Alaskan Arctic Adventures 907-852-3800

Note: Since our visit, the dogsledding part of the business has moved to Fairbanks. For dogsled tour operators there and around the globe:
www.explorenorth.com/mushing/dogsleds

For other escapades: www.forbes.com/adventurer.

Let the **Adventure** Begin!

www.discover sailing.com

Enjoy a thrilling 17-minute ride via the award-winning Discover Sailing DVD and learn all about the spectacular sailing lifestyle!

Designed exclusively for

newcomers, the Discover Sailing DVD

explores a variety of sailing options to help get you underway, hosted by several of the top sailors in the sport. Call

1-800-535-7245 or visit

www.discover sailing.com

to order your **Free* DVD!**



Find the best gear for your lifestyle.



Know what you're buying. At CNET.com, you'll see how our experts rate the gear you think you want, see who's got it for less, and hear how it's working (or not) for people just like you. We'll even help you get more out of the stuff you already have. For free.

Find the right tech for you at CNET.com.



CNET.com
Bringing tech to life



Instant Advertiser Information To receive *free* information from Forbes advertisers visit their web sites or call the listed phone numbers

Forbes Magazine December 26, 2005

2005 PGA TOUR Year in Review

- ☎ 84 Lumber
www.84lumber.com
- ☎ Hawaii Tourism Authority
www.gohawaii.com
- ☎ Mercedes-Benz
www.mbusa.com

ADRs

- ☎ BMW
1-800-334-4BMW
www.BMWusa.com
- ☎ Sybase
www.sybase.com

Automotive

- ☎ Aston Martin North America
1-866-NA- Aston
www.astonmartin.com
- ☎ BMW
1-800-334-4BMW
www.BMWusa.com
- ☎ Cadillac Motor Division
www.cadillac.com
- ☎ Hummer
www.hummer.com
- ☎ Jaguar
www.jaguar.com/us
- ☎ Land Rover: Range Rover
www.landrover.com
- ☎ Toyota
www.toyota.com/usa

Business Classified

- ☎ Access China Tours
1-800-788-1399
www.accesschinatours.com
- ☎ AHM Mortgage
1-888-531-7888
www.AmericanHm.com/george.hart
- ☎ Aptus Communications, Inc.
1-250-483-3414
www.ValueStockSelector.com
- ☎ ARBOC, Inc.
1-561-621-7110
- ☎ Capital Solutions
1-800-499-6179
www.4capitalsolutions.com
- ☎ Capstone Business Credit, LLC
1-212-755-3636
www.capstonetrade.com

- ☎ Delightful Deliveries
1-877-442-6333
www.DelightfulDeliveries.com
- ☎ E-Chair USA
1-618-407-3575
www.e-chair.com
- ☎ Gallery Art
1-888-932-6166
www.gallart.com
- ☎ Gecko Software
1-800-862-7193
www.personalinvestorshsr.com
- ☎ Global Business Funding
www.globalbusinessfunds.com
- ☎ Hidden Valley Ranch
www.walhallahills.com
- ☎ Holiday Timeshares Resales
1-800-704-0307
www.holidaygroup.com
- ☎ John Christian Designers
1-888-646-6466
www.ringbox.com
- ☎ Life Quotes, Inc.
1-800-441-0072
www.lifequotes.com
- ☎ National Watch & Diamond Exchange
1-215-627-5626
www.nationalwatch.com
- ☎ Planet Office Furniture.com
www.planetofficefurniture.com
- ☎ Prestige Properties, Jerry Cangiano
1-239-438-2437
- ☎ Publisher's Guild
1-800-369-1646
- ☎ Steven Sears CPA/Attorney
1-949-262-1100
www.searsatty.com
- ☎ The Diamond Maven.com
1-800-435-2872
www.thediamondmaven.com
- ☎ Worldwide Business Consultants
1-800-733-2191
www.corbettandkish.com

Consumer Products/Services

- ☎ The Capital Gold Group
www.thecapitalgoldgroup.com

ETFs: The Second Wave

- ☎ American Stock Exchange
www.MidCapSPDR.com

- ☎ E*TRADE FINANCIAL
www.etrade.com
- ☎ The Vanguard Group
www.vanguard.com

Financial Services

- ☎ T. Rowe Price Capital Appreciation Fund
1-866-349-5886
www.troweprice.com
- ☎ T. Rowe Price Dividend Growth Fund
1-866-349-5886
www.troweprice.com
- ☎ T. Rowe Price Equity Income Fund
1-866-349-5886
www.troweprice.com
- ☎ T. Rowe Price Personal Strategy Growth Fund
1-866-349-5886
www.troweprice.com
- ☎ T. Rowe Price Value Fund
1-866-349-5886
www.troweprice.com

Mitigating Corporate Relocation Risks

- ☎ Hampton Roads Economic Development Alliance
1-800-423-5068
www.hreda.com
- ☎ Pennsylvania Dept. of Community & Economic Development
www.newPA.com

Ontario, CA: The Gateway to Big Business

- ☎ City of Ontario
www.ontariocalifornia.us
- ☎ Southern California Edison
www.sce.com

LIFE INSURANCE ALERT FOR SENIORS

NEW! How to sell your unwanted and unneeded life insurance policies for cash

Here are the facts:

- Investor groups and financial institutions are now paying cash to buy unwanted life insurance policies. Whole life, universal life, term life, joint-life, last-to-die and key-man life may qualify.
- You might own an unwanted and unneeded life insurance policy that is eligible to be sold for cash and not even know it!
- Rising premiums or changed family circumstances can create a situation where you've decided that a life insurance policy is no longer wanted or needed.
- For example, many people with unwanted cash value insurance mistakenly believe that the policy value is worth no more than the actual cash value. Even worse, many people mistakenly believe that their unwanted term life insurance can only expire worthless or be lapsed for zero value.
- How to obtain a free life insurance policy valuation. If you are at least 55 years of age and have at least \$100,000 of life insurance coverage in force, please mail the coupon below, call us toll-free at 1-800-556-9393, ext. 101 or visit us online at www.insure.com.

**About Insure.com**

"The best Web site I've found..."
The Dallas Morning News

"...we'd recommend you do your insurance shopping here..."
Barrons

"New source for best buys in insurance. One way to get to know the insurance market."
Kiplinger's

"...this site is flush with useful features."
Forbes.com

"...as good as a Web site on insurance can possibly be. Hats off and a gold star to the top insurance site on the Web."
Insurance for Dummies

"The premier Web site in terms of detail and ease of use, (best of all, it's free) is Insure.com..."
Yahoo! FINANCE

Recent Purchase Offers

69 year-old male: \$500,000 policy	Cash offer: \$100,000
72 year-old female: \$750,000 policy	Cash offer: \$165,000
78 year-old male: \$1,200,000 policy	Cash offer: \$408,000
83 year-old female: \$2,000,000 policy	Cash offer: \$206,000

Instant quotes from over 200 companies
Life • Auto • Health • Home • and More!

Insure.com

YES! Please send me free information on how I might be able to sell my unwanted life insurance policies for cash.

Name	Age	S Coverage
Address	Phone	
City	State	Zip

Mail to: Insure.com, 8205 South Cass Avenue, Suite 102, Darien, IL 60561

Ad Code: FORBS 12/05

NOTE: The sale of an unwanted and unneeded life insurance policy is called a "life settlement," and is an activity that is regulated in at least 37 states. You should never attempt to sell a life insurance policy until you have first obtained independent and unbiased information regarding all of your options and choices. The National Association of Insurance Commissioners has published a useful brochure entitled, "Selling Your Life Insurance Policy: Understanding Life Settlements." Copies may be obtained by calling 1-800-342-3600 or visiting www.naic.org. Insurance agents and brokers are prohibited by law. Quotesmith.com, Inc. DBA Insure.com generates revenues from the receipt of industry-standard fees and commissions paid to it by licensed life insurance companies, life settlement providers and investors. Copyright ©1984-2006 Quotesmith.com, Inc. All rights reserved. CA agent #0A13858, LA agent #200696, MA agent #333509159. Quotesmith.com, Inc. dba Insure.com Insurance Services in CA under agent #0827712, in LA under agent #205078. Quotesmith.com, Inc. dba Insure.com Insurance Services, Inc. in UT under agent #90093. Quotesmith.com dba Insure.com and Life Quotes, Inc. in CO.

Business Classified

Business Gift

America's #1
Gift Basket Website

Over 2500 gourmet gifts just a click away.

- 100% Satisfaction Guaranteed
- Nationwide Delivery
- Free Gift Packaging
- Fast Overnight Delivery Available
- Secure Shopping
- Free Catalog Available

Order online at
www.DelightfulDeliveries.com
or call 1-877-442-6333
Code FR122605



DelightfulDeliveries.com
Your Trusted Source For Corporate Gifts

Jewelry

JOHN CHRISTIAN
DESIGNERS & CRAFTSMEN

ORDER BY
DEC. 21ST
FOR HOLIDAY
DELIVERY!



*Children's
Names & Birthstones*



Anniversary Date
IN ROMAN NUMERALS!
December 11, 1998
XII XI MCMXCVIII

14K: ANNIVERSARY \$750 Convert Your Date Online!, MOTHER'S \$450 (UP TO 5 NAMES)

FREE CATALOGUE **RINGBOX.COM** 1-888-646-6466

China Tours



Access China Tours

Superior Deluxe Packages
20 Itineraries From 9 To 22 Days
Private & Business Trips
1-800-788-1399
www.AccessChinaTours.com

Office Furniture



**Premium Ergonomic
Task Seating**
Full features, mesh back
Internet special - \$399.⁰⁰
plus \$30.⁰⁰ shipping
www.e-chairusa.com

the e-chair USA 866-474-8748

Forbes

The Forbes Stock Market Course

The Forbes Stock Market Course is an easy-to-read common sense guide to building wealth. It is a **perfect holiday gift** for family and friends... for anyone who is interested in investing. The newest edition gives you a better understanding of everything from Financial Statements to Fundamental and Technical Analysis - Stocks and Bonds to Futures and Options - Mutual Funds to Hedge Funds. As a reader of *Forbes Magazine* you are invited to take advantage of a special **holiday price** of just \$99.95 (save \$50 off the regular \$149.95 price.)

Go to www.forbesinc.com/mc and place your order now or call 1-800-429-0106

Art Wholesale

We Buy, Sell Fine Art & Collections.

Peter Max, Warhol, Neiman, Erte', Agam, Dali, Haring, Lichtenstein, Behrens, Britto, Fairchild, Fazzino, Hofmann, Schwaiko, Maimon, Tarkay, and More - Over 20,000 Artworks in Inventory.

Gallery Art.
20633 Biscayne Blvd. Aventura, Fla.
(888)932-6166 www.Gallart.com

Forbes Subscribe Service

To plan your order, to renew, change your address or other customer service, visit our site at...
www.forbes.com/customerservice
or call...800-888-9896

Capital Available

Funding For Entrepreneurs

- Expand or Acquire Businesses
- \$250,000 - \$750,000 or more
- Flexible Loans

Since 1972
TABASFUNDING.com
610-896-2400
PA, NJ, DE ONLY



Lee Tabas, Pres.

Education

Amazing Financial
Interviews!

Visit:
PersonalInvestorsHr.com

Naples Florida

Luxury Home &
Condominium Sales

Call: Jerry Cangiano-
Prestige Properties
239-438-2437 or
email: jerry@livenaples.com

Mortgages

Luxury Homes Lender

George Hart

AHM Mortgage Nationwide Lender
1-888-531-7888
George.Hart@Americanhm.com
Lending to \$12,000,000
Licensed mortgage lender in all 50 states

Forbes

THE FORBES COLLECTOR

Masterpiece or Fake?
Bargain or Ripoff?

Let **The Forbes Collector** teach you the difference. From American landscape painting to modern photographs to baseball memorabilia, *The Forbes Collector* will show you where the hidden gems are. Don't miss this insider's guide. Subscribe and get 4 Free Reports. Call toll free:
1-877-733-7876 or go to
www.forbes.com/collector

Forbes Business Classified

For Advertising Information and Rates Contact:
Media Options:
1-800-442-8441
mediopt@aol.com

You can
charge
your ad



Forbes

Business Classified

Watches

NATIONAL WATCH & DIAMOND
 • BUY • SELL • TRADE
 OVER 300 PRE-OWNED
 ROLEX IN STOCK
 also Cartier, Breitling & Tag
 LARGEST SELECTION OF
 CERTIFIED DIAMONDS

1-800-8-WATCHES

Visit Our Web Site: nationalwatch.com
 8th & Chestnut Streets, Phila., PA

Capital Available

Working Capital

P.O./Trade Finance/
 Letters of Credit
 Domestic and International
 Accounts Receivable Factoring
 Capstone Business Credit, LLC

212-755-3636
212-755-6833 (Fax)

Office Furniture

**Basyx
 Leather Chair**
\$39

**Hon 4 Drawer
 Lateral File**
\$409

**Basyx Mesh
 Back Chair**
\$279.98

**Hon 4 Drawer
 Vertical File**
\$124.99

Extensive Online Catalog



PLANET
OFFICE FURNITURE

www.PlanetOfficeFurniture.com

Authorized Online Dealer for **HON** **basyx**

Save even more. Enter special promo code **61100**

Timeshare

TIMESHARES

save up to

70%

off retail!

- BEST RESORTS, PRICES & WEEKS
- GREAT RCI & II EXCHANGES
- FREE CATALOG

CALL 800-640-7639

HOLIDAYGROUP.com/fm

Capital Available

**ATTORNEYS ACCOUNTANTS
 DEALMAKERS** Public or private
 funds available for expansion of
 projects with excellent manage-
 ment and growth potential.
 ARBOC INC. 561-627-7110

Legal Services

Award
 Winning
 Book

Order Now

\$14.95



Steven Sears, CPA • Attorney at Law
 949-262-1100 • www.searsatty.com

Business Opportunities

**Own A
 Private Bank**
800-733-2191

**\$25,000 PER MONTH
 POTENTIAL +++**

Our dealers are doing it so can you! Our
 successful formula that generates
 income from day one will amaze you.
 Investment of \$14,900 normally
 recovered in the first 30 days or less.

Call: 1-800-399-0892

LAWSUIT PROTECTION

Domestic or Offshore Solutions
 Privacy /Free initial consultation
 Protect Business & Personal Assets

800-710-0002

Visit www.Assetprotection.com

Forbes

Forbes Lehmann Income
 Securities Investor

Richard Lehmann is Forbes'
 secret weapon on bonds,
 convertibles and preferreds.
 His high-yielding model port-
 folios have beaten stocks for
 the last five years! Let
 Lehmann show you how to
 build wealth safely with high-
 yielding fixed income securi-
 ties. Subscribe today and
 receive three FREE
 special reports.
 Call toll free 1-877-733-7876 or
www.forbesnewsletters.com/lehmann

Forbes

Forbes

SLAM DUNK INVESTING IN OIL

Curtis Hesler, Editor of
Professional Timing Service, rec-
 ommended Enerplus Resources
 (ERF) at \$17. It's now \$43, and
 still pays a 10% dividend. He
 believes that there are 4 major
 opportunities--crude oil, gold,
 stocks and bonds--that will make
 and break millionaires. Subscribe
 today and get his free special
 report, *Oil: Slam Dunk Investing
 for Income & Capital Gains*.
 Call toll free 1-877-733-7876 or
www.forbesnewsletters.com/pts

Newsletter

THE WORLD IS SHRINKING!

Nanotechnology is changing our world
 ... our clothes, the military, science,
 autos, medical technology ... every-
 thing! It's the investment opportunity
 of a lifetime for those who buy tomor-
 row's superstars today. The monthly
Forbes/Wolfe Nanotech Report
 puts you on the right side of history,
 separates the true leaders from the
 overhyped. Subscribe risk-free at just
 \$195. Save 67.5% and get 2 valuable
 Free Reports. Satisfaction guaranteed
 by Forbes. **Call 800-523-7967 or go
 to www.forbeswolfe.com/frb.**
 Please use savings code **JN5SAVE**.

Investment Software

Proven Software Selects
 Winning Stocks for You

All New **Value Stock Selector™**
 software is a hit with investors.
 Runs quietly in the background
 on your computer while combing
 through the financial statements
 of thousands of companies. Then
 it shows you what to buy, what
 to sell, and when to do it. Based
 on the methods of super investors
Warren Buffett and **Benjamin
 Graham**. EASY TO USE

Download **Value Stock Selector NOW** at
www.ValueStockSelector.com

Business Financing

GLOBAL BUSINESS
 FUNDING:

Need capital for operations, growth or new
 equipment? Any type of business loan, new
 & used equipment leasing, factoring, vendor
 programs, Commercial RE. All Credit
 Quality (A-D), all business sizes from start
 up to Fortune 500. Apply online at

<http://www.globalbusinessfunds.com>.
 Tel: 231-547-0155

Forbes Subscription Service

To plan your order, to renew, change
 your address or other customer
 service, visit our site at...
www.forbes.com/customerservice
 or call... 800-888-9896

Forbes

Business
 Classified

For Advertising Information and Rates Contact:
 Media Options:
 1-800-442-6441
mediopt@aol.com

You can charge your ad



THOUGHTS

On the Business of Life

So many at this time of year bewail the "commercialization" of Christmas, fearing that the *raison d'être* of Christmas is buried by tons of tinsel and tinkle. I don't share that lament. Perhaps it's wrong that it's so, but I think some of the spirit of Christmas would suffer if the merchants did not gaily and brightly decorate their stores and the streets; if the airwaves didn't reverberate with old hymns and new jingles. What's wrong with selling the gifts that people want to give and be given? For virtually everyone there is as much joy and often more in buying for family and friends as in receiving from them. —MALCOLM S. FORBES (1963)

Everything is a miracle. It is a miracle that one does not dissolve in one's bath like a lump of sugar.

—PABLO PICASSO

Moralities, ethics, laws, customs, beliefs, doctrines—these are of trifling import. All that matters is that the miraculous become the norm.

—HENRY MILLER

When something good happens it's a miracle, and you should wonder what God is saving up for you later.

—MARSHALL BRICKMAN

A strong positive mental attitude will create more miracles than any wonder drug.

—PATRICIA NEAL

True miracles are created by men when they use the courage and intelligence that God gave them.

—JEAN ANOUILH

Miracles happen to those who believe in them.

—BERNARD BERENSON



There is in every miracle a silent chiding of the world, and a tacit reprehension of them who require, or who need miracles.

—JOHN DONNE

Religion seems to have grown an infant with age, and requires miracles to nurse it, as it had in its infancy.

—JONATHAN SWIFT

Every cubic inch of space is a miracle.

—WALT WHITMAN

I am realistic—I expect miracles.

—WAYNE DYER

Where there is great love there are always miracles.

—WILLA CATHER

Miracles are a retelling in small letters of the very same story which is written across the whole world in letters too large for some of us to see.

—C.S. LEWIS

Miracles occur naturally as expressions of love. The real miracle is the love that inspires them. In this sense everything that comes from love is a miracle.

—MARIANNE WILLIAMSON

That married couples can live together day after day is a miracle the Vatican has overlooked.

—BILL COSBY

A Text ...

Deceit is in the heart of them that imagine evil: but to the counsellors of peace is joy.

—PROVERBS 12:20

Sent in by Jack Smith, Birmingham, Ala.



